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FINANCIAL TIMES

Europe's Business Newspaper
THURSDAY MARCH 3 1994

EU row over voting could undermine enlargement talks

A row over bow to adjust the European Union's voting rules to accommodate more members is threatening to undermine talks in Brussels at which Sweden, Finland and Austria agreed to join the EU. It will not make it easier either for the EU to focus on the problems of the Norwegians, who are holding out for better entry terms, especially on fish.

The apparently technical dispute over the EU's "blocking minority" voting system masks firmly opposed views about the balance of decision-making power between big and small states. Page 2

Serb warning on federation: Serb leaders warned that the preliminary agreement to form a federation reached by Bosnia's Croats and Moslems in Washington left the central question of territorial division among the three sides unresolved and could lead to fresh violence in former Yugoslavia. Page 14; Southern discomfort, Page 13

German go-ahead for rapid rail route: The German government approved construction of a magnetic-levitation train which will run between Berlin and Hamburg at up to 400 kilometres an hour and cut the journey time from 3½ hours to less than an hour. Page 14

Vickers, UK engineering group which makes tanks and Rolls-Royce cars, claimed to have "turned the corner" last year by making pre-tax profits of £32.3m, ($47.2m) compared with losses of £36.6m in the previous 12 months. Page 16; Lex, Page 14

French car sales improve: Measures to stimulate the depressed French car market prompted a sharp increase in orders in February, Jacques Calvet, chairman of PSA Peugeot Citroen, said. Incentives include a FFr5,000 ($836) government payment to owners who trade in vehicles more than 10 years old. Page 15

Rabin rejects PLO's call for talks: Israeli prime minister Yitzhak Rabin rejected demands by the Palestine Liberation Organisation for resumed peace talks as Israeli troops killed at least two Palestinians and wounded 60 others in confrontations with stone-throwing youths in the occupied territories. Page 6

Uncertainty grows over Buthelezi: Concern about Chief Mangosuthu Buthelezi's role in South Africa's elections grew when the Inkatha Freedom party leader responded angrily to President F.W. de Klerk's warning that security forces would prevent disruption of the poll. Page 6

New Zealand growth heads for 5.5%: New Zealand's economic growth has accelerated sharply and is likely to exceed 5.5 per cent in the 12 months to the end of this month. Page 6

Aircraft makers discuss superjumbo: Europe's four leading aircraft manufacturers meet Boeing of the US in London today to decide whether to pursue joint studies for a 600 to 800 seat superjumbo airliner. Page 4

Bankers Trust shares hit: US commercial bank Bankers Trust said its "operations thus far in 1994 have been profitable," after reports spread that it had been hit by large losses on derivatives. The stock market was not reassured and the bank's shares lost $3¾, to $77. Page 15

Christiania Bank, Norway's second biggest bank, returned to a full-year profit for the first time in five years, helped by interest rate reductions and operating efficiencies. Page 16

US multimedia trial delayed: Time Warner has delayed the start of US trials of multimedia interactive television, until the fourth quarter of this year to allow "additional refinements". Page 17

GKN reports 20% fall: Engineering and industrial services group GKN reported pre-tax annual profits down 20 per cent to £97.5m ($142.4m) because a fall in vehicle production in continental Europe cut demand for the group's automotive components. Page 15

Dutch output rises: Dutch manufacturing orders rose by 2.5 per cent in January over December, consistent with an emerging recovery in industrial output, but were still down 4.7 per cent from a year earlier. Page 3

Mexican rebels agree peace deal: Maya Indian rebels and the Mexican government agreed a package of economic and political reforms aimed at ending a two-month old rebellion in the southern state of Chiapas.

Tourists dive to see Nessie: Tourists will next month be offered £70 ($102) submarine trips to search for Scotland's Loch Ness monster.

■ STOCK MARKET INDICES

FT-SE 100:	3,248.1	(-22.5)
Yield	3.70	
FT-SE Eurotrack 100	1,393.60	(-37.56)
FT-SE-A All-Share	1,640.13	(-0.6%)
Nikkei	19,744.77	(-471.85)
New York: lunchtime		
Dow Jones Ind Ave	3,796.85	(-12.38)
S&P Composite	461.67	(-2.77)

■ US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.539%
Long Bond	99¾
Yield	6.819%

■ LONDON MONEY

3-mo Interbank	5¼	(same)
Liffe long gilt future:	Mar 111½	(Mar 111⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$13.66	(13.525)

■ Gold

New York Comex (Apr)	$378.9	(379.4)
London	$375.75	(381.3)

■ STERLING

New York lunchtime:		
$	1.496	
London:		
$	1.4953	(1.486)
DM	2.5475	(2.5395)
FFr	8.6815	(8.6414)
SFr	2.139	(2.1354)
Y	155.013	(155.348)
£ Index	81.0	(80.7)

■ DOLLAR

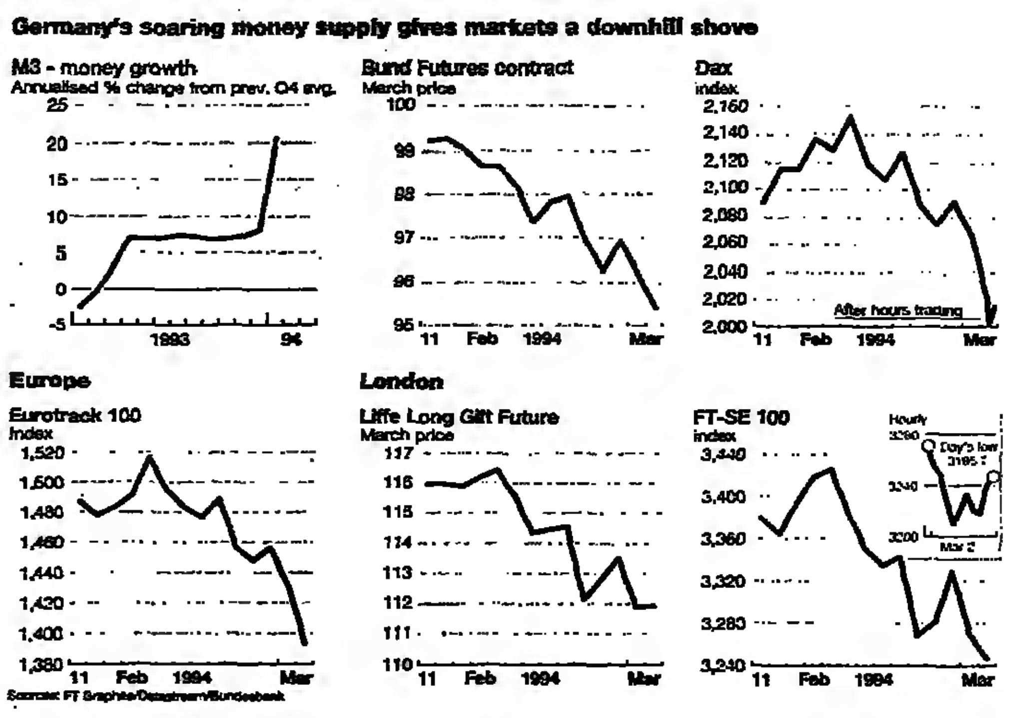
New York lunchtime:		
DM	1.70335	
FFr	5.8015	
SFr	1.428	
Y	103.95	
London:		
DM	1.7037	(1.709)
FFr	5.806	(5.8152)
SFr	1.4305	(1.437)
Y	103.670	(104.615)
$ Index	66.0	(66.3)

Tokyo close Y 104.23

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	CC1 10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

International sell-off prompted as growth rate exceeds Bundesbank's target

Markets shaken by German money data



By Christopher Parkes in Frankfurt and Tracy Corrigan and Conner Middelmann in London

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The most explosive growth in German money supply since unification in 1990, reported by the Bundesbank yesterday, sparked further turmoil in world financial markets already shaken by fears of rising US inflation.

M3, the Bundesbank's most important guida to monetary policy, grew at an annualised rate of 20.6 per cent in January, far exceeding the most pessimistic forecasts and the bank's own target range of 4 to 6 per cent.

Although senior bank officials had given warnings of an inflated figure, shock at the scale of the growth and fears of a brake on German interest rate cuts prompted an international sell-off.

By the close, stock markets across Europe had partially recouped substantial losses suffered after the announcement of the German data. Confidence in the outlook for European interest rates made a fragile recovery, but markets remained wary of a further tightening of credit policy by the US Federal Reserve.

At 2pm, the Dow Jones industrial average, down more than 50 points in the morning, had recovered all its lost ground and was up 1.12 at 3,810.35.

In London the early fall in leading equities of just over 2 per cent was smaller than in continental centres. The FT-SE index fell 74.9 before bouncing at the 3,195 level to close at 3,248.1, for a final loss on the day of only 22.5 points.

Frankfurt's Dax index fell 2.3 per cent.

Rumours that several large UK funds were selling bonds meanwhile sparked fears that mainstream fund managers were joining the exodus from the market.

Price falls in recent weeks have been spurred by hedge funds and banks trading on their own accounts. Mainstream fund managers have clung to the belief that the sharp sell-off is not justified by economic fundamentals, but the extent of the recent decline is now forcing some to act.

"Some fund managers are panic selling," said one institutional investor. "They have held on to the fundamentals for weeks, but the pain was just getting too great." There were also signs that some fund managers were buying selectively bonds which they thought had become underpriced.

"Everyone has a pain threshold," said one head of trading at a bank in London. "The markets are just not acting on fundamentals, and that is forcing a lot of people to reevaluate their strategies. The problem is that they are shutting the door after the horse has bolted."

European government bonds plunged at the opening, after the overnight sell-off in US Treasuries, and slid further after the release of the German money supply data.

Bonds recouped some of their losses as traders covered their short positions in futures markets. Sentiment was fragile and long-term investors remained on the sidelines, awaiting the outcome of today's Bundesbank council meeting and Friday's US jobs data.

German bonds set the pace, falling by more than 2 points in the morning but closing only about ½ point weaker. Although traders reported an early offer from the Bank of England to buy cash bonds from market-makers, gilts slid in line with other markets but staged a late recovery.

US Treasuries posted big declines yesterday morning amid mounting fears that the Fed would soon raise interest rates. By lunchtime the benchmark 30-year bond was down ⅞ at 92⅞, yielding 6.82 per cent. Earlier in the session, the bond had been almost a full point lower.

Foreign exchange traders said the currency market was confused with a lot of "hot money" about as investors liquidated positions to cover losses elsewhere.

The trade dispute with Japan also weighed on the dollar, which fell to Y103.670 from Y104.615. The D-Mark closed higher in London against the dollar at DM1.7037 from DM1.709 on Tuesday.

Although German-based analysts concluded that the Bundesbank's policy of hyper-cautious interest rate cuts would continue, they expected the pace of reduction to slow because M3 would now take longer than expected to approach its target range. Some said the bank's generalised explanations in its initial statement on the provisional January M3 figures also sharpened the markets' initial reactions.

The Bundesbank put part of the blame for the "distortion" on "special factors".

Additional reporting by Terry Byland; Michael Morgan and Philip Gawith in London

Hurd admits link in UK aid and arms sales

By Roland Rudd in London and Kieran Cooke in Kuala Lumpur

Mr Douglas Hurd, the UK foreign secretary, admitted yesterday that there had been "an incorrect entanglement" between aid and arms sales to Malaysia in the run-up to Britain's funding for the country's Pergau dam project.

In evidence to the House of Commons foreign affairs committee, he said that aid and £1bn ($1.46bn) in defence sales were linked between March and Juna 1988 under a protocol signed by Lord Younger, then defence secretary.

Mr Hurd's disclosure came as Malaysia appeared ready to modify its stand against British companies, which was prompted by British newspaper reports accusing Malaysian officials of accepting bribes. It made it clear that the effective break in trade relations applied only to government contracts and procurements and not to tha private sector. British companies had feared they could also lose private contracts because of Malaysian government pressure.

Despite Malaysia's apparently softer stance, UK prime minister John Major accused the country of short-sightedness and said it owed much of its economic development to British trade and investment. "I believe that over time they may be seen to have damaged the Malaysian interest as much as the British," he said.

Brussels officials said the European Commission would be ready to intervene in the dispute if Britain complained about discrimination.

Meanwhile, a television show of British pop music awards has become the first victim of Malaysia's trade restrictions against British companies.

The Dutch-owned Polygram Television International, responsible for selling the show worldwide, said a Malaysian television station pulled out of a deal to take the programme on government orders.

Mr Hurd told the Commons committee that the protocol signed in 1988 by Lord Younger, "reflected the Malaysian wish" for British aid equivalent to 20 per cent of the arms deal.

Mr Hurd said that was "wrong and irregular" and had to be untangled. "The two policies cannot be linked," he added.

So three months later on June 28 Lord Younger wrote to the Malaysian government to say such a link was not possible.

However, on the same day that Lord Younger delivered his letter, the British High Commissioner in Kuala Lumpur sent a separate letter to the Malaysian minister of finance confirming the UK government's intention to provide up to £200m for development projects.

The then prime minister, Lady Thatcher, also mentioned both the arms deal and the aid in one letter sent on August 8 1988.

Asked repeatedly whether the

Continued on Page 14

Hong Kong cuts taxes after HK$15bn surplus on budget

By Simon Holberton in Hong Kong

Hong Kong announced cuts in corporate and personal taxes yesterday after producing a budget surplus this year of HK$15bn ($1.9bn). The government had originally predicted a deficit of HK$3.4bn.

Sir Hamish Macleod, Hong Kong's financial secretary, presenting the budget for 1994-95, said: "I am convinced that a major reason for our success is that we have not succumbed to the temptation to spend money simply because we have it."

The surplus had been underpinned by strong growth in stock and property markets, he said. Rising exports had also been buoyed by Hong Kong's ties with the growing economy of southern China. A budget surplus of HK$8bn was predicted for the coming year.

In a surprise move, Sir Hamish cut the corporate tax rate by 1 percentage point to 16.5 per cent. This returned it to the level of two years ago before he raised it in his first budget. He also increased personal tax allowances beyond the inflation rate, some by as much as three times.

The tax cuts have been made against a background of rising output and stable growth in prices. Sir Hamish predicted that gross domestic product, after inflation, would grow 5.5 per cent this year, the same as in 1993. Inflation would avarage 8.5 per cent, the same as last year.

Sir Hamish said the government would review company law in Hong Kong and extend the law against insider trading to derivatives, such as stock options.

By the end of the last full year of British rule, 1996-97, Hong Kong would have accumulated fiscal reserves of HK$120bn, about HK$95bn more than Britain promised China in 1991 that it would leave behind.

Sir Hamish's medium-term economic forecast suggested that in China's first year of administration of Hong Kong, 1997-98, the colony's fiscal reserves might amount to HK$141bn. Including accumulated reserves in the land fund for China, a special fund set up to provide reserves for Hong Kong when it returns to Chinese sovereignty, total reserves would amount to HK$270bn.

In spite of the level of accumulated reserves, Sir Hamish said it would be wrong for the government to fund completely the colony's planned airport. "When a project produces a reasonable revenue stream on which you can borrow, then that's the right thing to do," he said. "I hope that when [China] looks at the debt in relation to our fiscal position, they will be reassured."

Britain and China meet today to discuss the government's fourth financial plan for the airport. It provides for a government injection of HK$60bn in equity, and debt of HK$33bn.

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Channel tunnellers aim for alpine projects

By Andrew Taylor in London and Ian Rodger in Zurich

British companies which built the Channel tunnel will today meet the Swiss transport minister in a bid to win a share of vast tunnelling projects planned through the Alps.

The Swiss, who last month voted in a referendum to ban transit lorries through the Alps from 2004, plan to invest around SFr60bn ($41.7bn) in public transport projects over the next 15 years.

At the heart of the Swiss government proposals are plans to expand transalpine rail capacity to ease the strain on roads crowded with lorries passing through the country to other destinations.

The project, known as Neat (new alpine transversal tunnel), would involve two low-altitude rail tunnels through the Alps allowing trains to pass through them at high speed.

One 57km tunnel under the Gottbard pass would be the world's longest rail tunnel. Another 30km tunnel would run under the Lötschberg.

A cost of SFr14.9bn for the Neat project was approved in a referendum in 1992 although the final price is widely expected to be at least twice that figure.

Test borings have begun and the first tenders for large-scale exploratory work were published last August.

A few British companies are believed to have prequalified to bid for the work and contracts are due to be awarded late in the spring.

The scale of the project means that Swiss companies, which are likely to dominate management and construction, will need to sub-contract some of the work to foreign companies.

British groups have been advised that they should join consortia led by Swiss companies.

The 51km Channel tunnel officially opens on May 6, a year later than originally planned. It will have cost more than £10bn, more than double the original

Continued on Page 14

'Special factors' foil monetary early warning system

Christopher Parkes reports from Frankfurt on why German M3 is not quite the trusty instrument that the Bundesbank cracks it up to be

Germany's vaunted M3, the money supply indicator which the Bundesbank unreservedly recommends to a monetarily-unified Europe as the world's trustiest monetary early warning system, has once again fallen foul of "special factors".

After ending 1993 at a peak, with an annualised growth rate of 8.1 per cent, more than 1.5 points above the top of its designated target range, M3 attained a stratospheric 20.6 per cent in January – almost 15 points off the mark.

The figure, released yesterday, coming on top of bad inflationary vibrations from the US and fears of rising interest rates, had a dramatic effect on financial markets. However, Bundesbank directors had already warned thet 1994's early figures would be distorted. Furtbermore, they made their first cut in the securities repurchase rate since early December only one day before releasing the January M3 balloon. It is safe to assume, therefore, that Germany's policymakers attach little importance to the figure – at least for the time being.

It is equally safe to assume, economists agreed yesterday, that the Bundesbank will continue its softly-softly progress on reducing interest rates. This week's 0.03 percentage point slice off the rapo rate at which it supplies short-term liquidity to the market was widely read as a signal that further reductions in short-term rates are still on the cards.

The rate at which they come is a different matter. The "special factors" which caused January's inflation of M3 are understood still to be lingering – liquidity parked in short-term deposits in expectation of rising long-term rates and heavy borrowing by house-buyers concerned to pre-empt any interest rate rises. So lt could be some time before the reality of M3 coincides with the lines on the central bank's graphic prognostications for the year.

This is not to say that the routine M3 figures offer observers an especially clear guide to the Bundeshank's course of action.

The current rate-cutting process started in September 1992, when M3 was above target and rising. Since then the short-term discount lending rate has been cut eight times, even though M3 has consistently exceeded its corridor range apart from the first three months of last year, when a rush of funds overseas to avold a new withholding tax caused a dip. The reversal of thet rush was one of the "special factors" contributing to January's monetary surge.

A better guide, and the one on which economists base much of their optimism, is the west German inflation rate and the medium-term outlook for prices. Allowing for a blip in January, when new taxes and increased administered prices pushed the rate ahead, month-on-month inflation has been rising at around 0.2 per cent a month for the past year. Last month the annual rate was down to 3.3 per cent, continuing a steady decline which has continued for mora than 12 months. Prices of goods, axclnding services and administered prices, rose just 2.3 per cent in the whole of last year.

Significantly, one state, Bavaria, this week announced an overall annual inflation rate of 2.9 per cent – the lowest for three years.

At the same time the federal statistics office reported a real 1.6 per cent fall in blue-collar gross earning, the first cut since 1983 and a clear indicator of fading inflationary pressure from the demand side. This was underlined yesterday by reports that retail sales last year fell a real 4 per cent, with the retailers' association expecting no improvement in 1994.

Despite disturbances caused by striking engineers and public sector workers, confidence remains strong that the year's pay rounds will end once again with real reductions in wages and salaries.

The Bundesbank, not given to extravagant optimism, has repeatedly said it expects 2-point-something inflation by the year's end, within striking distance of the 2 per cent it regards as price stability.

But lt has other indicators in its sights. While It has openly supported the government's view that pan-German economic growth of up to 1.5 per cent is attainable this year, it also has to consider widespread opinions that the advance will be far smaller and will in any case rely almost totally on the continued revival of external demand for German goods and services. This will depend partly on a steady feed of interest rate reductions, to encourage recovery and maintain a D-Mark exchange rate at whicb German exports remain affordable.

Considering this week's turbulant market conditions, the last thing expected from today's Bundesbank council meeting is a resumption of interest rate reductions. As several economists suggested, the members might usefully spend the time assessing whether M3 is all it is cracked up to be, or at least preparing a sound rationale for their claims that its rightful role is to be the guiding light of a future common European monetary policy.

Growth pains as the Union enlarges: ■ Row over voting rights ■ Norway thinks again

EU states struggle to make the votes add up

By David Gardner in Brussels

An internal European Union row over how to adjust its voting rules to accommodate more members is threatening to nndermine negotiations in Brussels this week which saw Sweden, Finland and Austria agree to join the Union.

It will not make it easier either for the EU to focus on the problems of the Norwegians, wbo are bolding out for better entry terms, especially on fish.

The apparently technical dispute over the EU's "blocking minority" voting system masks firmly opposed views about the balance of decision-making power between big and small states, as well as tensions between sovereignty-conscious nationalists and federalists.

Spain and the UK want to keep existing rules to preserve their ability to block measures they dislike. Currently, 23 votes out of 76 (normally two large states and one small) can stop legislation in the council of ministers.

If all four applicants enter, the 16 would share 90 votes, according to their size. A majority of the 12 want to maintain tha carefully nurtured existing balance between big and small EU club members by requiring 27 votes to block proposals, a figure arrived at hy arithmetical extrapolation from present rules. It was decided at the 1992 Lisbon summit to postpone until the 1996 constitutional review any radical look at bow a Union set to expand lster into east and central Europe should take decisions.

Madrid accepts 27 as the threshold except when three member states with at least 23 votes object or even abstain. In practice, this means two large and one small country.

However, The European parliament, which has to decide by March 10 wbether to start approval proceedings for the new members in time for them to enter next January, wants to make it even more difficult to block Euro-laws. At the moment the parliament says it will not put through enlargement if the 12 keep the blocking minority at 23.

The issue has to be resolved by EU foreign ministers meeting in Brussels on Monday and Tuesday, when they will also have a last try at reaching terms with Norway. Mr Theodoros Pangaloa, Greek chairman of the council of ministers, said on Tuesday night: "We have domestic problems to be solved, but they will not stop a succesaful enlargement." He may be being optimistic.

Contacts by telepbone and letter have taken place this week between Chancellor Helmut Kohl, President François Mitterrand and Prime Minister Fellpe González to try to resolve tha voting rules dispute.

Senior European Commission officials believe the UK will budge, through fear of endangering the EU's expanslon. The British themselves are cryptic. Their position on voting "is as firm an element as anything in our negotiating brief", one offlclal said, only hours before Britain caved in on the issue of agriculture subsidies for the newcomers.

Spain is another matter. Mr Carlos Westendorp, its European affairs minister, has made clear Spain must get some fish from Norway's rich waters and its blocking minority formula. Madrid believes otherwise that lt and Italy and Greece, could be outvoted on issues which concern them alone, like, for instance, olive oil subsidies.

Mr González strongly supported this line in a letter to Mr Kohl this week and at a press conference in Madrid. It would be politically difficult for him to get neither fish nor votes.

Norway sticks unswervingly to its line: "Not a single fish for Spain", leading one German diplomat to tell a Norwegian colleague that "negotiating with you is like Salman Rushdie negotiating with the Iranians".

But some negotiators believe Oslo might "consolidate" the fish it conceded as part of the European Economic Area trade zone treaty, which came into force this year but would cease to apply once Norway joins the Union. Its battle cry could then become "Not a single *new* fish" for Spain.

Some Brussels diplomats believe, too, that Spain could be flattered into line, if it got its present eight votes raised to 10, putting it on a par with the other big countries, France, Germany, Britain and Italy. The flaw in this argument is that two votes added to 23 does not make 27; Spain's interests would still be vulnerable.

Hungary will apply to join next month

By Lionel Barber in Brussels

Hungary signalled yesterday that it will apply for full membership of the European Union in April, witb the support of Germany.

Hungary would be the first former communist country to apply. It will put pressure on the EU to come up with new ideas for integrating eastern Europe and could trigger a request for full membersbip later this year by Poland.

Mr Jacques Delors, European Commission president who visits Hungary today, has ordered a study on bow to strengthen economic and political ties witb ceotral and eastern Europe.

The 12 member states and the Commission oppose offering the east Europeans a precise date for membership; but tbere are signs of a more adveoturous approacb to integration, partly driven by the rise of Russian nationalism in last December's elections and the upcoming German presidency of tbe EU in tbe secood half of the year.

The UK and Italy are forging new links witb the six east European countries with association agreements with the EU, coveriog a common foreign and security policy and justice and bome affairs. The six are Poland, Hungary, the Czecb Republlc, Slovakia, Romania and Bulgaria.

Even Mr Delors, who once favoured deepening integration within the 12 rather than widening membership, appears to be having second tbougbts.

A Polish official said meanwbile thal Warsaw was pursuing membership on a "parallel track" with Budapest. But the Czechs are likely to delay an application until they bave studied how to align economic policies more closely to the EU.

Olympics hero Norway ponders life in the cold

By Hugh Carnegy in Stockholm and Karen Fossli in Oslo

After basking in universal praise for lts staging of the Winter Olympics, Norway this week was back playing its less popular role as the most stubborn of lbe four countries applying to join tha EU.

While Sweden, Finland and Austria eacb hammered out accesslon terms on Monday, Norway dug in its beels on fisberles, refusing to back down on the now celebrated statement from Mr Jan Henry Olsen, the young fisheries minlster, that Oslo had "no fisb to give away" to EU fishermen.

But the long predictable fisheries row bas tended to obscure the fact that Mrs Gro Harlem Brundtland, the prime minister, bas managed tbe domestlcally sensitive EU question with great skill.

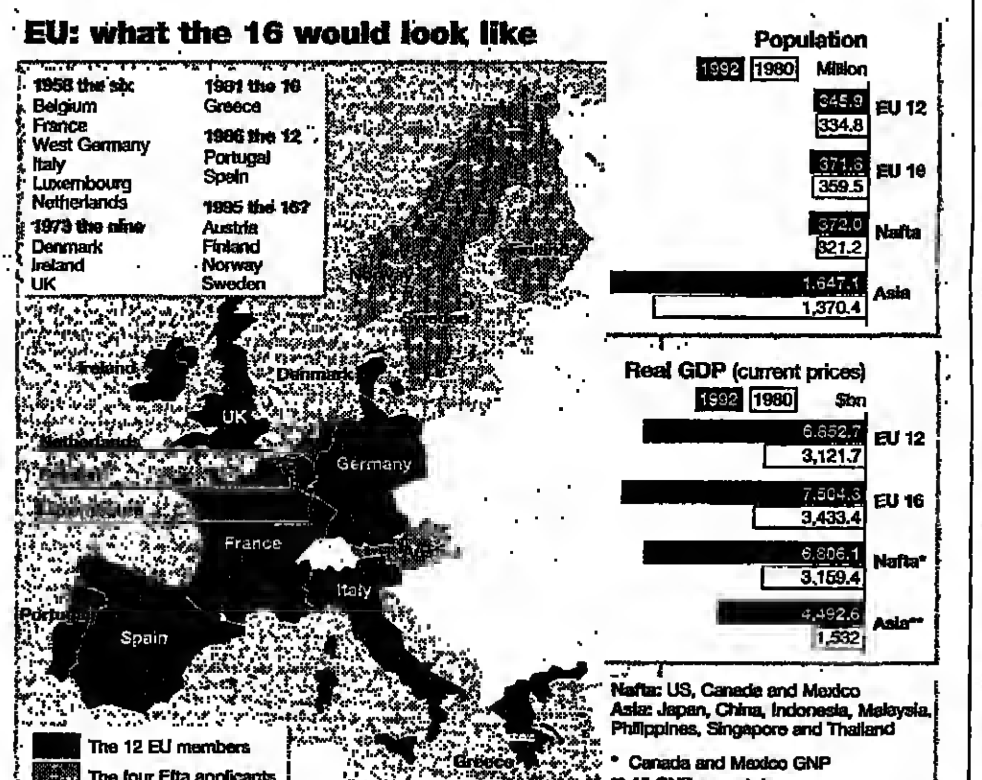
Norway has already applied three times for EU membership. Its applications in 1960 and 1962 were blocked by France; then in 1972 the electorate voted against joining in a referendum following a row with Brussels over fisberies. That referendum split Mrs Brundtland's Labour party deeply, and it remains divided over joining.

Opinion polls over the past year have consistently shown a strong majority of all Norwegians against membership and it was against this unpromising background that Mrs Brundtland once again pointed the country towards the Union.

All along, a powerful argument in favour of membership has been tbe fear that Norway's Nordic neighhours would join, leaving lt isolated and transforming the long, open border with Sweden into a frontier witb the EU. Since last year's general election opinion has begun to swing towards a Yes vote.The latest polls show support rising to 37 per cent and overtaking the No camp should Sweden join.

With such a powerful "pull" effect anticipated from across the border, Mrs Brundtland will not be upset that Sweden and Finland have moved ahead. All along, a Yes vote in Norway has been seen as depending to a large extent on the two holding their referendums first – and voting Yes.

Meanwhile, if and when Norway finally strikes an accession deal with Brussels, Mrs Brundtland's government will claim that it held out for the best possible deal. And, crucially, the prime minister will have in Mr Olsen and Mr Bjorn Tore Godal, the foreign minister, former prominent anti-EU figures campaigning this time for a Yes vote.



Austrians praise their negotiators

By Patrick Blum in Vienna

In Vienna, news that agreement on joining the Enropean Union had been strnck bronght a sense of relief. Austria's negotiators, especially Mr Alois Mock, the foreign minister, were afforded hero status in media coverage.

Nevertheless, the outcome of a referendum to approve membership, scheduled for June, is far from certain. Until then, opponents – nationalists, traditionalists, special interest gronps, and most of the Greens – will look for ammnnition in the small print. They may yet be joined by the right-wing Freedom party led by Mr Jörg Haider, who said he would not advise a Yes or No vote until he had studied the deal.

The most sensitive issnes remain lorry transit and agriculture, and the government may feel it has won a better deal on both than lt might have expected.

Austria's Alois Mock and colleagues celebrate after agreeing EU entry terms Reuter

Europe lagging in drugs research

By Gillian Tett in Brussels and Daniel Green in London

Europe's drugs companies are losing their pre-eminence hy not spending enougb on research and development, the European Commission warned yesterday.

They are also too small, production ia too fragmented, companies have not yet been able to respond to the single market and have been left behind in the exploitation of biotechnology.

"It is hard to escape the conclusion that the US, rather than Europe, is now the main base for pharmaceutical research and development and for therapeutic innovation," the Commission said in its document "Outlines of an industrial policy for the pharmaceutical sector in the EC".

The Commission nevertheless backed away from last year's proposals calling for the phasing out of direct price controls. This is a blow to the EU pharmaceuticals sector, whicb has been lobbying against tigbter price controls being imposed by governments in an attempt to control healthcare spending.

It emerged in Brussels yesterday that the Commission changed its position following pressure from member states and the social affairs commission. Mrs Nelly Baudrihaye, director general of the European federation of pharmaceutical industries, the umbrella group for the sector, said yesterday there was "strong disappointment" in the industry at the watering down of the proposals on price controls.

Instead, tbe Commission called on saparate member states to take steps to introduce greater market transparency and open competition to boost the European industry, which has experienced a significant alow down in tbe last year and seems set to shed some 27,000 jobs in the next three years.

With European companies only allocating half the average R&D funds of their American competitors, they are in danger of lagging in the development of new drugs, the report said. It noted thet only two British companies came close to matching the levels of funding of American and Swiss companies.

"The picture is most worrying in respect of hiotechnology," the report added, pointing out that whereas half of all new medicines were developed in the community 20 years ago, this share had fallen to a third, with 65 per cent of the patents in biotechnology now held by US companies.

The report recommended a greater emphasis on biotechnology R&D, a reform of legislation guarding intellectual property rights and a harmonisation of sector regulation.

Bosnian accord could destroy itself

Judy Dempsey spells out the opportunities - and dangers - in Tuesday's agreement

Never before has one agreement, for one part of Bosnia, held out so much hope for extending peace througbout the republic. But never before bas such an agreement contained the seeds of its own destruction. Such is the nature of the complex accord forged by Washington and signed on Tuesday between Bosnia's Croats, Bosnia'a Moslems and the Croatian government.

The preliminary agreement, whicb envisages the creation of cantons carved out of territories held by the Bosnian Moslem and the Bosnian government forces, is divided into two parts: the establishment of a federation in one part of Bosnia and Hercegovina, and the creation of a confederation between the republic of Croatia and that federation.

The federation, whlcb still requires agreement on tbe maps for the size and distribution of the cantons, comprises:

- a central government underpinned by a hi-cameral legislature. The house of representatives would be democratically elected on a proportional basis; the house of peoples would have an equal number of Croats and Bosnians.
- a legislature which would elect tbe presldent and vice-president, each of whom would come from separate communities and aerve for alternate one-year terms over a four-year period.
- a government in which no deputy minister could belong to the same ethic background as the minister.

As part of the agreement, all refugees will have the right to return and will be compensated for any damaged property, although those detaila have yet to be worked out.

The more sensitive part of the agreemants rests in the relationship between the federation and the confederation with Croatia.

In principle, Croatia is not supposed to change its borders, thus preventing it from annexing territories gained during the war. Instead, the confederation and the federation will establish a common market for the free movement of goods, a customs and monetary union, and defence arrangements. These will be agreed by a confederative council formed of equal number of Bosnian Croats, Moslems and Croats.

UN and US officials yesterday said President Franjo Tudjman of Croatia, still hankering after a Greater Croatia, will be put under pressure to accepting the plan through threats of sanctions and promises of economic assistance.

Lord Owen, who heads the Geneva peace negotiations, insisted the agreement was not aimed at isolating Serbia. "A final accord will always need agreement between the three parties." However, US officials, playing a pivotal role in the peace process, like the Russians, realise Mr Radovan Karadzic, head of the Bosnian Serbs, will be loath to join the central federal government of Bosnian Croats and Moslems.

"Karadzic should not take the view that his self-styled Serb autonomous rapublics will be recognised by the outside world, or indeed join with Serbia proper. These territories will remain in limbo unless Belgrade is prepared to negotiate an overall settlement for Bosnia – and for Croatia," a US diplomat said.

Herein lies the self-destructive element of yesterday's accord. Any lasting peace in Bosnia will require the Bosnian Serbs to give up the Moslem enclaves in eastern Bosnia, or else cede other territory to the Moslems in order to hold on to eastern Bosnia.

But the Moslems, now supported by the US, might use the federal plan to secure peace in western Bosnia, and then launch a spring offensive to regain their territories in the east. That would tear Tuesday's accord to shreds.

More crucially, the success of tha accord rests on Croatia and Serbia reaching agreement over Serb-held territories, particularly around Knin, south-west Croatia, and in the Baranja in tbe east. "There will be no lasting peace until Zagreb and Belgrade make their own peace," a senior UN official involved in tbe Geneva negotiations said yesterday.

With the US putting pressure on Croatia and the Moslems, the ball is in Mr Milosevic's court, and Russia's too.

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EUROPEAN NEWS DIGEST

Czechs name companies for privatisation

The Czech government yesterday published a list of 862 companies to be sold in its second voucher privatisation scheme, **Reuter reports from Prague**. The government gave details of each company's credit history, assets, after-tax profits, basic capital and the shares available to Czech citizens. The companies include the Czech power company CEZ, telephone monopoly SPT Telecom and the maker of Semtex explosives, Synthesia. Assets worth 155bn crowns (£3.5bn) are to be auctioned in several rounds between April 11 and May 12. In the first wave of voucher privatisation, shares in 987 companies with a book value of more than 200bn crowns were auctioned to Czechs.

Poland wants to join Eurocorps

Polish Defence Minister Piotr Kolodziejczyk yesterday said he had discussed the possibility of Poland joining the Franco-German-Belgian Eurocorps fighting force with his French counterpart, **Reuter reports from Paris**. Poland would initially prepare observer groups before analysing the possibility of joining the Eurocorps, he said, after talks with French defence minister Mr François Leotard. Mr Leotard said the talks were preliminary and it was more timely to speak of Polish officers serving as observers with the Strasbourg-based corps than of Poland becoming a full member in the near future. The Eurocorps, seen as the future land-based defence arm of the Western European Union (WEU), the EU's defence pillar, will become operational later this year with one French and one German division plus a Belgian brigade.

Mr Leotard announced that French alpine troops would hold joint exercises with Polish units in the Carpathian mountains in June, the first time a French army unit has trained in an ex-Warsaw Pact country.

Turkey arrests Kurdish MPs

Turkish police yesterday detained two radical Kurdish MPs after parliament lifted their immunity from prosecution on charges which carry the death penalty, **Reuter reports from Ankara**. The Anatolian news agency said Hatip Dicle, leader of the Kurdish-based Democracy Party (DEP) and his colleague Orhan Dogan had been detained outside the parliament building in Ankara. Parliament also lifted the immunity of Kurdish MPs Sirri Sakik and Mahmut Alinak and was expected to take the same step against three other Kurdish deputies and an MP accused of defaming modern Turkey's secular founder Mustafa Kemal Ataturk. Ankara state security court wants to charge all eight MPs under Article 125 of the penal code, which bans treason and crimes against the state.

Ukraine steps up 'gas war'

A senior Ukrainian official denied yesterday that Ukraine had been syphoning off Russian gas meant for export to western Europe, but said this could happen if Russia carried out a threat to cut supplies today.

Gazprom's chief engineer said this would achieve nothing because the firm would simply shut off these supplies also and Kiev would face a storm of protest from Russia's western customers, mostly in Germany, France and Italy.

Gazprom said on Tuesday it would cut off gas to Ukraine unless Kiev took steps to pay a debt of about Rbs1,500bn roubles.

Turkmenistan, Ukraine's other gas supplier, stopped its deliveries on February 20 because of non-payment.

■ Moldova is negotiating with Russia to stop it carrying out its threat to cut off gas supplies this week unless debts are paid, a senior Moldovan gas industry official said yesterday. Moldova owesRussia's gas enterprise Gazprom about Rbs53bn roubles.

Court blow for Italian centrists

The Pact for Italy, the centrist alliance of referendum leader Mario Segni, has suffered a serious reverse following the refusal of the supreme court to allow candidates in ten constituences to contest the March 27 general elections. Other parties were also penalised, often falling foul of legal technicalities that applied to the 155 seats covered by the old system of proportional representation in the chamber of deputies. (Under the new electoral laws, 75 per cent of the seats are being fought under the first past the post system).

The pact includes former Socialists, Republicans and the Popular Party (PPI) the former Christian Democrats, has been relying on the advantages of the proportional system to pick up the bulk of its seats. The absence of votes in these eight constituencies will complicate the task of mustering 4 per cent of the national vote, the minimum required for a grouping to be included in the allocation of proportional seats.

The exclusion of the Pact is ironic given Mr Segni's role in promoting the referendum that forced parliament to adopt the new electoral laws.

Utilities reject competition

Germany's municipal gas and electricity utilities yesterday rejected any attempt to open up the German energy market to free competition as likely to result in drastic concentration on the biggest suppliers, **writes Quentin Peel from Bonn**. They said the plan by Mr Günter Rexrodt, the economics minister, to allow third parties access to the gas and electricity grids would undermine local utilities and make German suppliers less competitive internationally.

Telecom groups lodge offers

Unitel, one of the two consortiums competing for the licence to run Italy's new Europe-wide GSM mobile telecommunications network, yesterday brushed aside fears that the contest would be complicated by the elections on March 27, **writes John Simkins in Milan**. Offers were lodged on Tuesday by Omnitel-Pronto Italia and Unitel. The latter includes Fiat, Vodafone and the Fininvest group of Mr Silvio Berlusconi, the leader of the right-wing political party Forza Italia. Omnitel includes Olivetti. There has been some speculation that the winner might be announced before the elections, but government advisers have until the end of April to complete their evaluation. . Unitel expected the decision to be made according to criteria laid down by the present administration.

■ A draft finance ministry document to be discussed by the Russian government today puts the 1994 budget deficit at 10.2 per cent of gross domestic product, according to the Interfax news agency said, Reuter reports. The draft said Russia expected income of Rbs120,000bn and expenditure of Rbs182,200bn.

ECONOMIC WATCH

Better exports lift Dutch output

Dutch manufacturing orders rose by 2.5 per cent in January over December, but were still down 4.7 per cent from a year earlier. The January rise was consistent with an emerging recovery in industrial output, with the latest survey of businesses by the Central Bureau for Statistics (CBS) showing widespread expecta- tions for an improvement in output over the next three months. The Nederlandsche Bank's January index of leading indicators, published early last month, also projected that the economy would continue gaining strength in the next few months. Domes- tic orders to Dutch industry fell slightly in January, but those from abroad were high enough to compensate for the drop. The Dutch economy is heavily reliant on exports. The biggest increase in new orders was to the intermediate and semi-finished goods sector, with orders up both at home and abroad in the semi-finished goods sector.

■ Austria's current account deficit for 1993 was a provisional Sch10.6bn (£592m). At 0.5 per cent of GDP the deficit was well inside the range considered normal, the National Bank said.

■ The president of the BDA federation of German employers said unemployment could grow to 4.5m this year, from about 4m in January, thanks to poor demand for German products at home and abroad.

Ukraine's Kravchuk poses dilemma for west

He wants money for reform and stability, but he might not be there to deliver, writes **Jill Barshay**

Ukraine's President Leonid Kravchuk arrives in Washington today to tell the west: give us money if you want a buffer against Russian "imperialism" and stability in eastern Europe.

The trouble is that Mr Kravchuk, if he is to be believed, will not be president in four months' time. So the west has begun to wonder whether it is entertaining a lame duck who will not be able to guarantee the promised scrapping of Ukraine's nuclear weapons nor the economic reforms he wants the money for.

Ukrainian journalists and diplomats in Kiev are sceptical that Mr Kravchuk, however unpopular he is at home with the country's disastrous economy, will stick to his decision not to stand for re-election in an early presidential election he called in the turmoil of a miners' strike last year.

Indeed Mr Kravchuk indicated on Tuesday that the election, scheduled for June, could be cancelled if constitutional issues were not resolved first. Though he repeated his pledge not to run, Mr Kravchuk seems to be keeping the option open to serve his full term until 1996.

Others suggest his announcement is a purposely timed test of public opinion. Ukrainians in recent months have been giving low marks to their president in opinion polls and condemning him around kitchen tables as they have seen their standards of living decline with hyperinflation, paltry paychecks (when they come) and an energy crisis.

If Mr Kravchuk's popularity rises, perhaps through the securing of a huge aid package from the west to rebuild Ukraine's devastated economy, he could choose to stand after all – a practice reminiscent of an old Slavic tradition dating back to Ivan the Terrible, when the dictator came back to power after his people begged him to come out of seclusion.

Thus Mr Kravchuk might also be testing the west to come up with the money to keep him, their guarantor of a nuclear-free Ukraine, in power. Aware that US President Bill Clinton wants to encourage completion of the nuclear deal between Ukraine, Russia and the US, and that Washington is reassessing its policies toward a more assertive Russia, Mr Kravchuk is trying to get the best deal he can now.

The new political tactic to gain economic assistance also takes pressure off Ukraine's miserable economic reform record. Ukraine has yet to take effective steps in fighring hyper-inflation, privatising its mammoth state sector and cutting subsidies to ailing, inefficient industries.

The International Monetary Fund and the World Bank are poised to loan $1.1bn (£738m) but Ukraine is still far from meeting the anti-inflation conditions necessary to release this money. Last week Kiev abandoned a brief three-month experiment to clamp down on the money supply and issued another huge wave of credits, totalling some 10 per cent of last year's gross national product.

If Mr Kravchuk holds to his word and the presidential elections are held, eyes are focusing on two well-known figures from the Ukrainian establishment: Mr Leonid Kuchma, an industrialist and former prime minister, and Mr Ivan Plyushch, the parliamentary speaker.

Though neither man has announced his candidacy, opinion polls are giving Mr Kuchma and Mr Plyushch increasingly higher ratings despite their mutual lack of a coherent economic reform programme for Ukraine.

Mr Kuchma, who enjoys much support from Ukraine's ailing state enterprises, has expressed a pro-nuclear stance in the past. Last spring, when he was prime minister, he delivered a speech before a closed session of parliament, urging lawmakers to hold on to the country's 176 strategic weapons.

During the parliamentary debate on the trilateral deal signed in Moscow with Russian President Boris Yeltsin and President Clinton during the latter's European tour, Mr Kuchma cautioned his deputies "to know all the protocols and agreements being signed" before ridding Ukraine of its entire nuclear arsenal.

Mr Plyushch, who came to power from the state farm system, is famous for his skill as a deal maker and for building consensus behind the scenes. He helped Mr Kravchuk get parliamentary approval for the nuclear deal last month. If Mr Plyushch retains his powerful seat after parliamentary elections this month, he may be reluctant to relinquish it to stand for the presidency, which has a weak and unclear mandate under the current Ukrainian constitution.

'WE WILL REGRET IT IF WE DO NOT DO SOMETHING'

The west will live to regret it if it lets Ukraine go down the drain, says Mr Percy Barnevik, chief executive of the international engineering group ABB Asea Brown Boveri, **writes Ian Rodger in Zurich**.

Mr Barnevik has just returned from a visit to Kiev where he held meetings with government and industry leaders. ABB, a leading supplier of energy production distribution equipment, is involved in two modest joint ventures in Ukraine and has more ambitions projects planned.

The impending collapse of Ukraine's economy, now suffering hyperinflation of 50 per cent per month, presents an immense threat to the west, says Mr Barnevik.

Collapse of Ukraine's economy would present an immense threat to the western world, Mr Barnevik said. This was because Ukraine was the world's third largest nuclear power and had the second largest standing army in Europe.

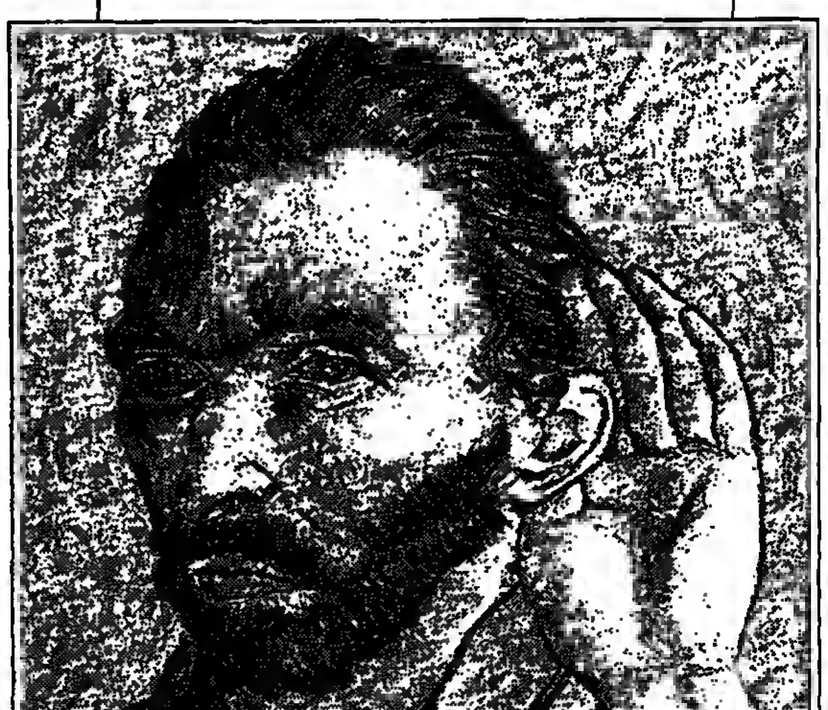
He denied that his view was special pleading for contracts for ABB. "I talk about energy not because it is ABB's business but because it is what is driving the collapse of Ukraine's economy. The cost of importing oil and gas is double the size of foreign currency earnings."

He added: "Ukraine is not a priority country for ABB. But because of ABB, I have been able to see the situation and, as a person, I felt I should stand up and say something."

Ukraine relies on imported oil and gas for some 80 per cent of its energy. But it can no longer afford to buy fuel. Two weeks ago Turkmenistan cut off supplies because Kiev had not paid an outstanding $1bn (£670m) bill. Earlier this week Russia threatened to do the same.

Mr Barnevik said catastrophe might be averted with an immediate injection of $3bn-$4bn to revive the country's crippled energy supply sector plus a similarly sized fund to stabilise the currency.

Barnevik: visited Kiev



Fears grow over revival of Super 301

By Nancy Dunne in Washington

President Bill Clinton yesterday said he was still considering whether or not to issue an executive order to resurrect Super 301, a controversial trade measure designed to build pressure on "unfair traders". The renewal would be specifically targeted towards Japan to force it to open its markets.

Ms Dee Dee Myers, the White House spokesman, said: "Super 301 is an option, but no final decision has been made." News reports yesterday that the president had decided to reinstate the provision were "premature," she said.

On Capitol Hill there were reports that the president would move today after a meeting with his economic advisers yesterday. The administration has been debating renewal since the Clinton-Hosokawa summit last month when the two sides failed to agree on US demands for "objective indicators" to measure import penetration in Japan.

There is strong opposition to the renewal by the Council of Economic Advisers and the Office of Management and the Budget. Sentiment from other senior officials ranges from unenthusiastic about Super 301 to frustration over the US-Japan stalemate and willingness to try any viable alternative.

Many trade analysts believe Super 301 is more feared than effective because it has so many loopholes which the president can use to avoid imposing sanctions. "There is nothing super about Super 301 except the rhetoric it evokes," said Mr Tom Bayard, deputy director of the Institute for International Economics.

The measure requires the trade representative to identify unfair traders and the "priority" unfair practices to be eliminated during up to 18 months of talks. Super 301 was employed reluctantly by Mrs Carla Hills, the then US trade representative, in 1989 and 1990. Only three countries were singled out as "unfair traders" – Japan, Brazil and India. Of the six "priority practices" targeted for negotiation and possible sanctions under Super 301, four were resolved relatively successfully, Mr Bayard said. None of them resulted in sanctions.

Three of those were with Japan which has since then increased imports of US supercomputers, wood products and satellites. India, designated as an unfair trader for its closed insurance industry and trade related investment practices, refused to negotiate.

Brazil has done away with its quantitative import restrictions, but credit can be given to a change of governments as well as Super 301.

According to Mr Bayard, Super 301's partial success rate is no better than that of Section 301, another form of unilateral pressure the US employs to open markets.

Thai scheme 'on track'

By William Barnes in Bangkok

Hopewell Holdings, the public company controlled by Hong Kong entrepreneur Mr Gordon Wu, has rebutted speculation that it wants to dump or delay its $3bn (£2bn) mass transit scheme in Bangkok which is two years behind schedule.

Notices in yesterday's Thai newspapers dismissed rumours it was proceeding slowly so as to make attached property developments more profitable as prices picked up.

No penalties for late delivery were attached to Hopewell's contract by the notoriously casual administration of the former prime minister, Mr Chatichai Choonhavan.

Algerian creditors face long delays

By Frances Ghilès

Algeria's foreign creditors are becoming increasingly frustrated with growing delays in repayments of the country's debt.

This is likely to complicate the country's attempt to reschedule its $13.5bn (£9.2bn) official debt with the Paris Club of creditor governments. Such a rescheduling is expected to follow after it has agreed a letter of intent with the IMF.

This would lead to a standby loan of $500m and an oil compensation facility of $300m, and would pave the way for France to seek from its European Union partners a loan of around $1bn to help support Algeria's balance of payments.

Algeria looms large in the lending of many western government credit agencies. It is the largest debtor of Belgium's export credit organisation OND Ducroire. For Italy's Sace it represents 24 per cent of total exposure. It is the third most important debtor of France's Coface after China and Egypt, with a medium and long-term debt of FFr30bn (£3.43bn). It is the third largest for Spain's Compania Española de Seguros de Creditos a la Exportacion after Mexico and Morocco and it has the fourth largest exposure with the US Eximbank after Mexico, Venezuela and Brazil.

Bankers are increasingly sceptical of the explanation offered by the prime minister's office one month ago and reiterated ever since by the central bank and the Ministry of Economy that delays were of a "technical nature".

International bankers fear the delays point to a deepening conflict between the central bank, the Banque d'Algérie and the Ministry of Economy. The ministry has, for the past two and a half years, sought to reclaim powers it lost to the central bank when the latter was granted an autonomous status in 1989. Algeria's total foreign debt, including official debt of $13.5bn, is $26bn.

Robert Crandall, critical of UK's 'protectionist' stance Glyn Genin

US airlines push for more UK slots

By Paul Betts, Aerospace Correspondent

American Airlines and Delta Air Lines, two of the biggest US carriers, are urging the Washington administration to renounce the bilateral aviation agreement between the US and the UK unless the UK grants greater access to US carriers into London's Heathrow airport. They are also urging the withdrawal of British Airways' ticket code sharing rights with USAir.

Failure to reach a compromise agreement by March 17, the deadline for the renewal of BA's existing code sharing rights with its US partner, USAir, risks provoking severe trade tensions between the two countries.

The UK has already warned the US it would consider limiting some US airline flights into Heathrow if the BA code sharing rights were not renewed. In turn, this is likely to lead to US retaliation against flights by BA and other UK carriers into the US market.

Mr Robert Crandall, chairman of American Airlines, yesterday renewed his attack on what he considers the UK's "protectionist" stance towards BA.

"The US should renounce the bilateral agreement to get a balanced solution. The US should not allow European carriers to participate in our market, by far the world's biggest, unless we get equal economic opportunities in their markets," he said in London.

Apart from more access into Heathrow, Mr Crandall wants the right to fly into Heathrow from the US and then into other international destinations. He also argued that scarce take-off and landing slots at Heathrow should be auctioned in the same way as they are bought and sold at Chicago.

Mr Crandall also attacked BA's ticket code sharing arrangement with USAir as "nothing but a matter of consumer deception". Under the code sharing deal, BA and USAir can market each other's flights under the same ticketing code.

Through the code sharing system, BA was able to market under its own ticket code more than 20,000 combinations of different destinations from which his airline was excluded because of the UK government's unwillingness to give American Airlines broad operating rights at Heathrow, he argued. In a document filed with the US Department of Transportation, Delta said the UK government "has been on notice for at least one year that the continued renewal of the code sharing authority was dependent upon material progress on liberalisation in the bilateral negotiations".

However, United Airlines, the largest US carrier, has opposed a confrontation with the UK government and disassociated itself from the intense lobbying efforts by the other two big US airlines.

The UK government and BA have both rejected the US demands. BA said it wanted its agreement with USAir, in which it holds a 24 per cent stake, approved in full by the US government but "not at any price".

Although the UK carrier favoured "open skies", Sir Colin Marshall, BA's chairman, told the British American Chamber of Commerce last week: "If, however, the US strategy remains geared to the notion that their airlines should be allowed to have free pickings in our British market while theirs remains closed, I can summon up reserves of any amount of patience."

Sir Colin disclosed that talks between the two governments had taken place in Washington last month.

Aérospatiale wary of superjumbo project

Paul Betts on France's increasing reluctance to continue with joint studies

Europe's four leading aircraft manufacturers are to hold talks in London today with Boeing, the world's biggest commercial aircraft maker, to decide whether to pursue joint studies for the development of a 600-800 seat superjumbo airliner.

The meeting comes amid signs of increasing reluctance on the part of Aérospatiale of France to continue the joint studies between the four partners in the European Airbus consortium and Boeing.

France has been particularly angered by the recent decision of Saudi Arabia to place a $6bn (£4.1bn) commercial aircraft order with Boeing and McDonnell Douglas of the US after intense pressure from the US administration.

The French Airbus partner also appears worried over Boeing's motives in collaborating with the Airbus partners on a superjumbo airliner project.

Airbus Industrie itself has suspected from the beginning that Boeing was attempting to split the four partners at the same time as stalling Airbus's own plans to develop a large aircraft to challenge Boeing's monopoly of the jumbo market with its 747-400 airliner.

The Airbus partners including Aérospatiale, Deutsche Aerospace (Dasa), British Aerospace and Casa of Spain agreed last year to conduct an economic and market feasibility study jointly with Boeing on a new 600-800 seater airliner.

The chief executives of the four European companies will review with Boeing these studies at today's meeting and decide whether to pursue further studies.

Mr Philip Condit, Boeing's president, recently indicated he expected the parties to agree to continue studying the superjumbo project. But he did not envisage any early decision to launch such an ambitious programme at a time of continuing overcapacity in the airliner market.

Boeing also appears reluctant to launch another costly programme at this stage because it is already involved in the development of its new 777 widebody airliner, a new derivative of its 737 narrowbody airliner and a cargo version of the 767 twin engine airliner.

Boeing has also continued its own independent studies on developing a very large aircraft or stretching the 747-400. Airbus for its part formed its own integrated design team six months ago to study the development of an Airbus jumbo airliner, the A3XX, to challenge Boeing.

Although France appears disenchanted over collaboration with Boeing and may decide to pull out of the joint studies, the German partner yesterday said it remained interested in the collaboration project.

Mr Jurgen Schrempp, Dasa's chief executive, spearheaded the original collaboration project between the European manufacturers and Boeing on a superjumbo. The rationale behind collaboration is that aircraft makers believe there is unlikely to be room in the market for more than one very large airliner.

Mexican rebels agree basis for peace

By Damian Fraser in Mexico City

The Mexican government and rebel guerrillas have reached a preliminary agreement aimed at ending the peasant nprising in the southern state of Chiapas.

"We have reached the end of the first chapter of the dialogue of the reconciliation of peace," Bisbop Samnel Ruiz, the mediator in the peace talks, said yesterday.

The government responded point by point to 34 of the rebel demands. Except for those of national scope, such as calls for democratic reforms, there seemed to be broad agreement on key issues.

The government promised to meet rebel demands for improved housing, edncation, health, and employment in the state of Chiapas. The rebels will now return to their villages and consult with their supporters.

The government is seeking to meet rebel calls for national electoral changes indirectly through talks with the main political parties in Mexico City.

The opposition parties and the government have already reached partial agreement on changes to electoral rules, and an extraordinary session of Congress to approve the reforms now seems imminent.

The self-styled Zapatista rebels seized San Cristóbal de las Casas and several other towns in Chiapas on New Year's Day, in a revolt they ssid was prompted by the poverty suffered by Indians.

The preliminary accord with the rebels did not prevent further weakening yesterday morning in the peso and the stock market, amid investor oervousness abont the country's economic sitnation.

Tbe 24-honr peso/dollar exchange rate fell to 3.25 yesterday noon, down slightly on the day, bnt against a rate of 3.10 prevailing most of February. The stock market fell some 0.6 per cent to 2,502 on the opening.

Aoalysts attribnted tbe decline in tbe peso to the recent rise in US interest rates and the decrease in rates on Mexican government paper. Yesterday, the steady fall in Mexican short-term interest rates was reversed, as rates on 28-day government paper rose 20 hasis points to 9.01 per cent.

Foreign confidence has been dented by Mexico's low economic growth, with GDP rising 0.4 per cent last year. "Many people bought Mexico for the growth and are disappointed by GDP figures," Mr Jay Polaski, of Morgan Stanley in New York, said. The sell-off was a normal correction in a market that climbed rapidly in January and the final quarter of last year.

US balanced budget law back on shelf

By Jurek Martin in Washington

The proposed constitutional amendment to balance the US federal budget bas been put back on the sbelf for at least a year following its failure to secure enough votes in the Senate on Tuesday night. The Clinton administration expressed unalloyed pleasure at the outcome.

The amendment was carried by 63 votes to 37, four votes short of the required two-thirds majority. Some 22 of the 56 Democrats and 41 of the 44 Republicans voted in favour.

The House may well consider the measure later this month, but Senator George Mitchell, the majority leader, said afterwards there was "no way in the world" that he would permit a second Senate vote this year, regardless of what the House did.

Senator Robert Dole, the Republican leader, conceded the issue was dead this session, but vowed to fight on. "It's going to happen, if not this year, next year or the next year," he said.

Tuesday's vote came as a great relief to the administration, which had lobbied hard against the amendmeot on both constitutional and practical grounds. Current progress in cutting the deficit would be put at risk, it argued, and important state and federal programmes beyond number eviscerated.

The more immediate political concern was that failure to stop the amendment could set a nasty precedent for the big upcoming battles in Congress on healthcare reform.

As sponsored by Senator Paul Simon, the Illinois Democrat, the ameodment, to take effect in 2001, would have prohibited a federal budget deficit unless two-thirds of both houses voted to permit ooe.

To become law, it would also have required approval by three quarters of the 50 state legislatures.

Conscious of popular support for the amendment ahead of this year's mid-term elections, the Democratic leadership, under Senator Mitcbell and Senator Robert Byrd of West Virginia, felt obliged to come up with a device to make a vote against easier.

This took the form of a weaker amendment, proposed by Senator Harry Reid, the Nevada Democrat, calling for a balanced budget but witb several exemptions from its strictures, including social security.

This went down to a large defeat – 78 votes to 22 – but it provided political cover for six Democratic senators who voted for it on Tuesday afternoon but tben opposed tbe Simon motion later in the night.

LA quake blurs growth data

By Michael Prowse in Washington

The US Commerce Department yesterday reported weak economic data for January, but the figures were consistent with relatively strong economic growth because of distortions caused by cold weather and the Los Angeles earthquake.

New bome sales fell 20.1 per cent between December and Jannary to a seasonally-adjusted annual rate of 695,000.

This figure was still 14 per cent above the level in January 1993 because of big increases in sales in the second half of last year.

Personal income fell 0.3 per cent in the same period, but officials said lt would have risen by a robust 0.7 per cent but for special factors such as a decline in rental income and cuts in farm subsidies.

Wage and salary income rose a robust 1 per cent from December, and consumer spending increased by 0.5 per ceot in real terms, reflecting a 0.9 per cent increase in spending on services.

Separately, the Conference Board, a New York business analysis group, said its "help wanted" index fell from 110 in December to 106 in January.

Other labour market data have signalled sluggish job creation at the beginning of the year.

Most economists believe the rate of growth has slowed significantly from the fourth quarter of last year when real gross domestic product grew at an erratic annual rate of 7.5 per cent in real terms.

But distortions caused by bad weather and natural disasters have blurred recent economic signals.

Mr Richard Berner, chief economist at Mellon Bank in Pittsburgh, said the economy was probably growing at an annual rate of about 3.5 per cent.

But this was a "stab in the dark", given the various distortions.

There was little evidence of higher inflation, he added. The modest rebound in commodity prices reflected in the purchasing managers' price index reported on Tuesday was to be expected, given the industrial recovery.

Tussle over US bank regulation continues

By George Graham in Washington

A tug of war between the Treasury and the Federal Reserve Board over plans to overbaul the US's convoluted system of bank supervision continned yesterday as Mr Alan Greenspan, the Fed chairman, refused to back down from his organisation's insistance that it keep its responsihilities as an independent bank regulator.

Despite a warning from Seoator Donald Riegle, chairman of the Senate banking committee, that the Congress would not tolerate "bureaucratic stubbornness where an institution tries to dig in", Mr Greenspan refused to relax his opposition to the Treasury's proposal to create a single Federal Banking Commission.

Mr Greenspan told the committee in a hearing yesterday that the Fed needed to stay involved in bank supervision in order to keep its finger on the pulse of the financial markets. He also argued, however, that it was important to give banks a choice of regulator in order to preserve "the current invaluable restraint on any one regulator conducting inflexible, excessively rigid policies".

Mr Greenspan's concerns were not shared yesterday by his colleagues from the three other federal bank regulatory agencies. Mr Eugene Ludwig, Comptroller of the Currency, and Mr Jonathan Fiechter, acting director of the Office of Thrift Snpervision, both bscked tbe Treasury's proposal. Mr Andrew Hove, acting cbairman of the Federal Deposit Insurance Corporation, also backed the administration plan in most respects, though he argued that the board should be expanded from the five members proposed by the Treasury to include the FDIC chairman.

Members of Congress have urged the Treasury and the Fed to come up with a joint proposal.

In the event of a clash, the Fed currently seems to hold the strongest cards. Although its argumeot about the need for competing regulators is viewed as bizarre by otber bank supervisors, it is drawing support from bankers, as well as the Republican minority.

Bankers have shouted loudest about the oeed to clean up tbe four overlapping federal supervisory agencies, but the prospect that there wish might be fulfilled in the shape of a single powerful agency bas scared many of tbem into changing their tune.

The Treasury's cbances of winning Republican support for its proposal have been impaired by the cootinuing dispute over President and Mrs Clinton's links to the White Water affair – a murky financial imbroglio with a tenuous connection to the issue of bank supervision because of tbe involvement of the failed Madison Guaranty savings bank.

Alan Greenspan: insistent that the Fed needs to stay involved in bank supervision Reuter

Clinton urged to back jobs for world

By Robert Taylor, Labour Correspondent

Interoational trade union leaders will tomorrow urge President Bill Clinton to back a "global new deal" to create jobs for tbe estimated 35m unemployed in western industrialised countries.

Led by Mr Lane Kirkland, bead of tbe American AFL-CIO, union officials from Organisation for Economic Co-operation and Developmeot countries will demand "a profound change in the direction of international economic policy" at the Group of Seven jobs summit in Detroit later this month.

Unioo leaders will urge Mr Robert Reicb, US labour secretary, to back their call for a co-ordinated employment growth strategy and reject current western economic policies.

"Governments must set a positive agenda designed to give workers security in change and a share in the beoefits of change," tbe unions argue in a document to be presented to Mr Reicb.

They want immediate and substantial reductions in short-term interest rates in Europe; a growth strategy based on infrastructure investments; regiooal development; targeted research and development spending; tbe encouragemeot of small and medium-sized enterprises and the inclusion of a social clouse in international and regiooal trade and investment agreements.

Otber union proposals include expansion of education and training for workers in the OECD area.

Hosokawa abandons cabinet reshuffle

Mr Morihiro Hosokawa, the Japanese prime minister, last night abandoned plans for an immediate cabinet reshuffle in the face of opposition from two members of his seven-party coalition, write Our Tokyo and Foreign Staff.

The Social Democratic party, the largest partner, sensitive that the right wing of the coalition is increasing its influence over the prime minister, feared a hasty cabinet change could cause the fragile seven-party alliance to collapse.

At a meeting with Mr Hosokawa last night the small New Harbinger party was also said to have opposed the move. Its main representative in the cabinet is Mr Masayoshi Takemura, chief cabinet secretary, who was likely to have been a victim of the reshuffle. Mr Takemura had earlier maintained he had no personal objection to losing his job.

The upheavals have started to harm the government's popularity, according to two polls yesterday, showing that support for the cabinet had fallen from a record high to its lowest since the coalition came to power last August.

Mr Hosokawa is planning an important policy speech to parliament tomorrow to coincide with the submission of a final Y73,080bn (£468bn) budget for the coming year.

Ruling party in Sri Lanka lead

Sri Laoka's ruling United National party gained control of 18 out of 40 urban village councils in the war-torn eastern province, in the first elections since 1988, when Indian peace keeping troops entered the province, writes Mervyn de Silva in Colombo.

The secessionist Tamil Tigers who claim both east and oorthero provinces as their traditional homeland failed to disrupt the polls despite several raids in remote areas. Twelve people were killed in the campaign. Over 55 per cent of the population took part.

The Moslem Congress, a new party, gained control of six councils. The main opposition party, the SLFP, won four councils and Tamil Tiger groups won majorities in 12 councils.

Assam separatists free hostage

Militants fighting for an autonomous Bodoland within the state of Assam yesterday released Mr B. Bordoloi, a senior manager of Tata Tea, India's buggest plantation company, after holding him hostage for nearly 11 months, writes Knnal Bose in Calcutta. His release was unconditional.

India foreign press ban ruling

An Indian court cleared the way for the introduction of foreign publications into India, Renter reports from New Delbi. The Delhi High Court threw out a hundle of petitions seeking to stop any such possible move by the liberalising government. Six newspaper publishers had argued the entry of foreign papers would harm state security.

However, the judges said the petitions had no standing as the existing policy, taken in 1956, not to allow any foreign papers into India remained unchanged. They said that if the government wanted to change its policy and let foreign papers in, the court could not prevent it.

Adelaide bomb

A bomb exploded in the Adelaide offices of the Australia's National Crime Authority yesterday, killing a policeman and injuring five others, writes Nikki Tait lo Sydney.

Dockers end strike in Sydney

About 490 striking stevedores returned to work in Sydney yesterday, ending a three-week walkout that bad tied up millions of dollars worth of cargo, Reuter reports from Sydney.

The dispute was settled after intervention by a government arbitrator who ordered the company at the centre of the dispute to re-hire 55 sacked workers.

A spokeswoman for Australian Stevedores, which handles over half the container and conventional cargo moving through Sydney, said the backlog should be cleared by Monday. A Maritime Union of Australia official said the union was happy with the outcome.

Hebron violence worsens as Israeli troops shoot dead two Palestinians

Rabin rejects PLO's terms for talks

By Julian Ozanne in Jerusalem and Mark Nicholson in Cairo

Jericho Palestinians carry a shooting victim yesterday after a demonstration against Friday's Hebron massacre *Reuter*

Mr Yitzhak Rabin, Israal's prime minister, yesterday rejected demands by the Palestine Liberation Organisation for resuming peace talks as violence flared again in tbe occupied territories in protest at last Friday's massacre of Palestinians in Hebron.

Israeli troops shot dead at least two Palestinians and wounded some 60 others in confrontations with stone-throwing youths. Palestinians said the violence in Hebron, where one Arab youth was killed, was more serious than the unrest that hroks out after the massacre in the town.

In Washington, President Clinton urged Palestinians not to abandon the peaca talks, saying to reject negotiations would "hand a victory to the extremists".

Diplomatic attempts to close the gap between the PLO and Israel intensified yesterday. Mr Karolos Papoulias, Greek foreign minister who is leading an EU affort to revive the peace negotiations, held talks in *Tunis with Mr Yassir Arafat*, PLO chairman, before heading for Israel with what diplomats described only as "some ideas".

Mr Igor Ivanov, deputy Russian foreign minister, also headed separately for talks in Israel after meeting the Palestinian leader.

Despite Israeli and US opposition, international snpport appeared top be growing yesterday for the deployment of an international force in the territories to protect Palestinians.

Mr Rahin stressed that the tragedy should not be used hy the PLO as an excuse for trying to put the issue of settlements on the negotiating agenda. Instead, he said, the violence of the past six days should refocus both sides on the necessity for finalising an agreement on Palestinian self-rule.

Mr Arafat yesterday restated PLO demands for returning to peace talks: the deployment of an international force in the territories to safeguard Palestinian lives, the dismantling of some extremist settlements and the disarming of the 120,000 Jewish settlers.

Mr Rabin, however, said his government would not discuss settlements and settlers because the Declaration of Principles signed last September had specifically left these matters to later talks.

On the issue of the deployment of an international force Mr Rabin said he had agreed to an "international presence" hut not an "international force presence". Officials said the prime minister had in mind a small group of observers for Gaza-Jericho only, and not for the rest of the West Bank.

Talks meanwhile continued at the UN on the text of a proposed resolution which diplomats said had been sent to Tunis for consideration by Mr Arafat.

Russian backing for an international force would present difficulties for Mr Rahin. Russia remains a co-sponsor with the US of the Middle East peace process. Mr Rabin said yesterday disagreement between the two co-sponsors could be exploited hy the enemies of peace.

Puzzle grows over Buthelezi election role

By Our Foreign Staff

Uncertainty about Chief Mangosuthu Buthelezi's role in South Africa's elections heightened yesterday when the Inkatha Freedom party leader responded angrily to President F.W de Klerk's earlier warning that security forces would prevent disruption of the poll.

"We need to separate the kingdom of KwaZulu from the rest of South Africa," Chief Buthelezi told a meeting of the KwaZulu homeland legislative assembly in the homeland capital Ulundi. The position of Zulu King Goodwill Zwelithini in post-apartheid South Africa had not yet been resolved, he said, and called for a separate Zulu kingdom.

On Tuesday, Chief Buthelezi said he was prepared to register Inkatha for South Africa's first all-race poll, but a final decision would depend on his constitutional demands being met. The offer was made after talks with his main hlack rival, ANC leader Nelson Mandela in Durban.

It was not clear if Chief Buthelezi would go ahead with Inkatha's registration after yestarday's developments.

Speaking in Cape Town, Mr de Klerk welcomed Chief Buthelezi's apparent offer, but stressed the April 26-28 election would take place as scheduled. "From the government's side, the security forces will he used, the law will he applied. . . to ensure the election is free and fair. The government will use everything at its disposal to ensure law and order will be maintained and the electiona go ahead as planned," he said.

The government had a contingency plan to ensure voting took place in the Bophuthatswana and KwaZulu hlack homelands, both members of the autonomy-seeking Freedom Alliance of white and hlack conservatives including Inkatha, Mr de Klerk added.

"I will ensure the maintenance of law and order and use all the facilities available to the state to that effect, according to the threat and situation as it develops." Chief Buthelezi told the Ulundi assembly the sovereignty of the kingdom was threatened hy government and ANC "manipulation" of constitutional negotiations.

'No intention to reform - no money'

World Bank sets telecom aid rules

By Andrew Adonis in Hong Kong

The World Bank will make the promotion of competition and private-sector investment a condition for supporting telecommunications modernisation in less-developed countries.

Dr Bjorn Wellenius, the World Bank's principal telecommunications specialist, told an FT conference on Asia-Pacific telecommunications that aid and loans had to be "closely tied" to policies of liberalisation if they were to succeed.

"No intention to reform: no money – that's likely to be World Bank policy in future," he told the conference in Hong Kong.

Dr Wellenius said less-developed countries needed to invest $40hn (£27hn) a year until the year 2000 to huild basic networks, up from $10hn a year in the 1980s. In the 1980s, only about 15 per cent of investment came from the private sector; that proportion would need to rise to half, from $1.5hn to $20bn a year, to meet investment requirements.

"The role of government is to regulate market-oriented solutions," he said.

The World Bank statement comes at a critical juncture in the development of telecommunications policies in less-developed countries. Latin American governments have pursued privatisation, hut most telecoms operations in less-developed Asian countries are still state-owned, with limited opportunities for the private sector.

Only 1.5 per cent of World Bank outlays (about $300m a year) is devoted to telecommunications, but its advice has a strong bearing on the stance of the private sector and other international lending institutions.

Mr Robert Morris, partner of Goldman Sachs, the US investment bank, said government attitudes to privatisation were "critical" to their ability to raise funds.

"If governments just want to raise a few hucks to reduce the national deficit, that's not a compelling reason to invest in the industry when there are lots of other privatisation opportunities available worldwide."

Mr Simeon Kintanar, head of the Philippines telecommunications commission, said his country, which has barely 1m lines for its 70m population, was creating a "conducive policy environment" for overseas investors.

"Our vision is that applications for phone connections should take 10 days, not 10 years," he said.

However, Mr James Ross, chief executive of Cahle & Wireless, the UK telecoms group which wants to boost its investment in the region, cited the Philippines as one country with restrictions on foreign operators, making investment less attractive.

New Zealand expects 5.5% growth rate

By Alexander Nicoll, Asia Editor

New Zealand's economic growth has accelerated sharply and is likely to exceed 5.5 per cent in the 12 months to the end of this month, Mr Bill Birch, finance minister, said yesterday.

Mr Birch, who is in London on an international tour to brief the financial markets, said in an interview that tha country's 10 years of "hruising" adjustment and reform, designed to restore international competitiveness, were paying off in export-led growth and a rapid rise in investment.

The latest estimate compares with a forecast of 2.9 per cent for 1993-94 made only last October hy Ms Ruth Richardson, Mr Birch's predecessor. The government believes annual growth rates of 3.5 per cent to 5 per cent are sustainable.

Manufacturing investment grew hy 30 per cent last year, industrial capacity utilisation was approaching 90 per cent, and unemployment had dropped to 9.1 per cent from a peak of 11.5 per cent, Mr Birch said.

Consumer price inflation, influenced hy an appreciation of the New Zealand dollar, is expected to remain around 1 per cent, in the middia of the zero to 2 per cent range which the Reserve Bank is contracted to achieve under New Zealand's arrangements for the central bank's independence.

Faster growth has reduced estimates for the hudget deficit. Mr Birch said that in the fiscal year ending June 30, it would be less than 1 per cent of GDP or under NZ$800m ($462m), compared with a NZ$2.2bn deficit originally hudgeted and NZ$1.4bn estimated in October. Mr Birch is expecting future hudget surpluses but gave no specific forecast.

He said New Zealand was benefiting from labour market reform – which he spearheaded as labour minister – deregulation, painful restructuring of industry and of government spending, and the opening of the economy.

The National party government won re-election only by a narrow margin in November. Mr Birch said, however, that economic reform had been pursued hy both leading parties during the 1980s and had wide support. "Now we want to carry on and ensure that the benefits of those reforms are demonstrated and captured."

Mr Birch had talks – which touched on central bank independence – with Mr Kenneth Clarke, UK chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, as well as Mr Hans Tietmeyer, Bundesbank president.

Bankers swap criticisms as system's defects come to light

Nigerian exchange controls prompt rows

By Paul Adams in Lagos

Efforts to resolve confusion in Nigeria's foreign exchange system continue today amid mutual recriminations hetween the central bank and the private sector.

The outcome is seen as an important test of the military government's capacity to implement the 1994 hudget, delivered in January, and criticised by the country's creditors as impractical.

The government has pegged its official exchange rate at N22 to the dollar and banned all foreign exchange dealing outside its control, hut the naira has fallen on the hlack market to N52.

The Central Bank of Nigeria (CBN) has accused commercial banks of ahusing the new arrangements, while bankers and other private sector leaders say that the CBN's allocation system is time-wasting and open to corruption.

The new system is meant to channel all the nation's hard currency via the banks to the sectors which would most benefit the economy: *half the* foreign exchange going to buy goods for manufacturers, 10 per cent to agriculture, 30 per cent for finished goods, and the remaining 10 per cent at the discretion of the banks for invisibles.

After a 10 week gap with no foreign exchange on offer, demand for the first allocation in late February exceeded the supply of $200m hy almost six times and the CBN delayed allocation by a week while it investigated the top 26 banks for irregularities.

On Monday the central bank's spokesman accused all 26 banks of submitting inflated or false demands or lending too much to their customers to fund the hids, then pardoned them with a warning of a one-year ban for the next transgression. Leading banks which have a reputation for strict compliance and who were cleared hy the inspectors last week angrily reject the spokesman's accusations.

"For a long time the CBN made the best of a bad job," said one international banker. "Now it appears that they don't even want banks to lend money."

Other bankers believe that they are heing made scapegoats for a system which is bound to fail. "The categories for applications are a matter of interpretation and even after following the CBN's advice they still faulted us. They are basically involved in window-dressing to disguise the real flaws with the system," said a senior Nigerian banker.

'Golden Quadrangle' united by a desire to make money

Victor Mallet on economic frenzy in a zone of 300m people

In all, a dog, two chickens and two pigs bave been killed and grains of rice and freshly-cut leaves are piled neatly next to the dog's corpse under the hot afternoon sun.

It is a routine sacrifice. Some villagers in the Akha hilltribe community of Paka Sukjai in Thailand's far north are sick, and they have paid the spiritman Bt52 (£1.40) to perform a ceremony to cure them.

Sucb are the ancient animist traditions that survive among these Akha villagers. But the region they inhabit is heing changed and modernised at a hewildering speed.

They migrated from Burma 16 years ago to what was then an isolated Thai hilltop in the Golden Triangte – the zone encompassing the borders of China, Laos, Thailand and Burma that is notorious for its fields of opium poppies and guerrilla warlords.

Today most of the dense forest that once hlanketed the hills of northern Thailand has heen destroyed. The Thai armed forces have pacified the area and discouraged opium growing, and have abandoned their military outposts and roadhlocks. A paved road built a year ago reaches almost to Paka Sukjal, hringing ice cream vendors and the occasional tourist on a motorcycle.

Schoolchildren learn Thai. The village is connected to the electricity grid and each house has its own meter. Villagers from tbe surrounding hills, with insufficient land for farming, sell their services as labourers, domestic servants or prostitutes in the nearby provincial capital of Chiang Rai or as far afield as Japan and Taiwan.

The economy of northern Thailand – like the economies of each of the other three countries in the neighbourhood – is growing rapidly. Businessmen and governments have started calling the area tbe Golden Quadrangle, a name designed to reflect the fact that there are four nations while recalling the supposed romance of the Golden Triangle.

Any political differences between Thai capitalists, the communist authorities of China and Laos and the Burmese military junta have been submerged hy the mutual desire to make money.

The four governments have opened their borders to tourism and trade. Last year, the Burmese junta began allowing foreign visitors to cross into Burma from Mae Sai in Thailand; this year Laos and Thailand let them cross the Mekong river at Chiang Kong.

A Thai businessman is building a fleet of fast river boats to ferry tourists between Laos, Thailand and southern China along the river, and there are plans to blow up the rock-strewn rapids which prevent the passage of large cargo vessels.

Chiang Rai's big new airport has called itself "international" although there are no scheduled international flights; it is taken for granted that airlines will soon he flying from Chiang Rai to China and Laos.

The State Railway of Thailand is examining the possibility of extending its network northwards as far as Chiang Rai. Governments and foreign aid agencies are building and upgrading roads throughout the "quadrangle".

Chiang Rai already has five new hotels, three stockbrokers' offices and the first signs of traffic congestion, hut local businessmen believe there is potential for much more growth.

They see future profits in a combination of Thai investment capital and cheap labour, hydro-electricity and raw materials (including coal) from China, Laos and Burma. They want an industrial estate In Chiang Rai as well as a university and a railway station.

"These four countries would have great potential once there's a hig push in this area," says Mr Tanomsak Serivichyaswat, president of the Chiang Rai chamber of commerce. "There's a very hig market in this area – 300m people – and there's lots of labour."

Not everyone is so enthusiastic about what is happening. Environmentalists are trying to curb soil erosion, pollution and the deforestation of watersheds, and health workers are worried about the spread of the disease Aids.

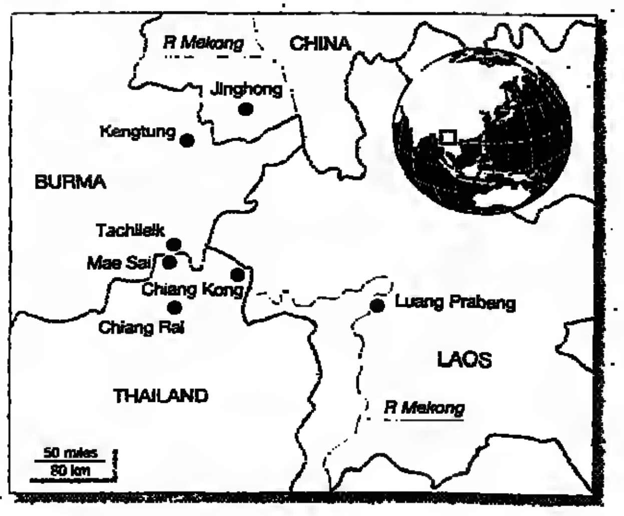
Such concerns, however, cut little ice with the crowds of tourists and traders in the busy frontier towns.

In the Burmese town of Tachileik, across the horder from Mae Sai, they are selling Chinese clothes, dried mushrooms, plastic toys and medicines to improve saxual potency made from deer antlers, along with Burmese ruhies, cheroots and peacock feather fans. Thailand's contrihution includes cigarettes and a cheap perfume called VIP Boms which comes in a container shaped liked a grenade.

With China's Yunnan province struggling to find new, aouthward routes for its exports to hypass the congestion afflicting Chinese ports and railways, the activity at such frontier markets is probahly only the beginning of a surge in cross-border trade and tourism.

New huildings are springing up on both sides of the Thai-Burmese frontier, and one of the hotels in Mae Sai has been aptly named the Boom Hotel.

Convergence of interests



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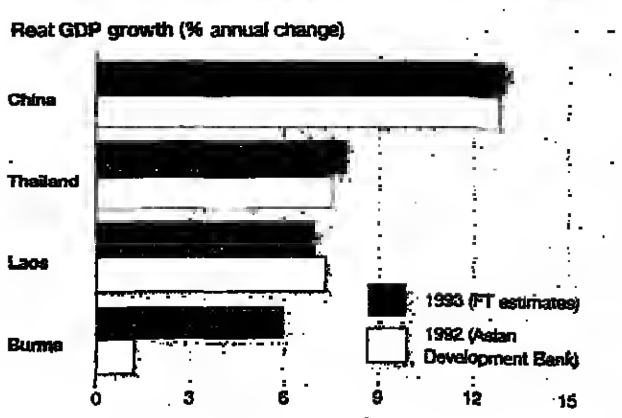


Indonesia surplus up 29.5% to $8.6bn

Indonesia's trade surplus rose hy 29.5 par cent to $8.66bn (£5.8bn) in 1993 from $6.69bn a year earlier, the trade ministry said, Reuter reports from Jakarta.

Total exports for 1993 rose 8.4 per cent to $36.82bn from $33.97bn in 1992.

Imports rose to 28.16bn from $27.28hn. Non-oil exports increased by 16.2 per cent to $27.07bn from $23.3hn.

Indonesia's trade surplus fell in December 1993 to $548.8m from $908m in November.

Economic analysts said that Indonesia was reaping the benefit of a shift towards higher investment in manufacturing since oil prices had fallen in 1986.

In spite of the good trade performance, there were a few trouhle spots, such as falling foreign investment, which the government was trying to rectify, they added.

Information Minister Harmoko disclosed yesterday that Indonesia's consumer price index rose 1.76 per cent in February.

This hrought the rise in inflation to 3.01 per cent for the first two months of 1994.

The government, which predicted inflation for the 1994/95 fiscal year at 5 per cent, forecast the rate for tha current year at 4-6 per cent.

NEWS: UK

UK faces employment law condemnation

By Robert Taylor and Robert Rice

The UK government is likely to be condemned by the European Court of Justice for failure to implement European employment laws safeguarding the rights of British employees.

Britain's union leaders said an advisory ruling yesterday in infraction proceedings brought against the UK by the European Commission was a shattering defeat for the government's policy of opting-out of the social chapter of the Maastricht treaty.

Mr Walter Van Gerven, advocate general of the court, said the UK had deliberately avoided implementation of key aspects of the European acquired rights and collectiva redundancies directives. Advocate generals' findings are almost always later confirmed by the full court.

Mr Van Gerven said that in translating the European rules into Englisb law through the 1981 Transfer of Undertakings (Protection of Employment) Regulations, the UK had failed to require that workers' representatives be designated for consultation when businesses change hands or collective redundancies are enforced.

Britain was also guilty of attempting to limit the application of the European rules and failing to provide effective sanctions against employers who failed to consult, he said.

British unions are confident that if the opinion is adopted by the full court later this year, the government will have to provide workers with the legal right to representation through unions, at least in situations of collective redundancies, contracting-out of services and privatisation.

Lawyers also claimed yesterday that the UK government could face a flood of claims for compensation from workers whose rights were adversely affected by the privatisation and contracting-out programmes.

But the Department of Employment said last night the advocate general's opinion held no implications for UK legislation and no right to compensation flowed from it. The government legislated last summer to bring the regulations more closely into line with Europe.

Mr John Monks, Trades Union Congress general secretary, said he would ask Mr David Hunt, employment secretary, how he planned to bring British law into line with its EU obligations on consulting workers in the circumstances dealt witb by the advocate generai.

"This is a welcome statement from Europe and we will be pressing the government to act", Mr Monks said. "Once again British workers have been shown to he denied rights that are accepted in law in all other European countries".

Mr Jack Dromey, the TGWU general union's national secretary, said public authorities and private companies would "have to negotiate in good faith" now that workers had the legal right to union recognition.

Malaysian ban 'does not affect private sector'

By Kieran Cooke in Kuala Lumpur

Malaysia appeared yesterday to modify its stand against British companies, though this was before Mr John Major, the British prime minister, made remarks critical of Malaysia.

Mr Anwar Ibrahim, Malaysia's deputy prime ministar, told a news conference tbe Malaysian cahinet had reaffirmed its decision that British companies should no longer be given government contracts hut emphasised that the scope of the action applied only to goverument contracts and procurements and not to the private sector.

Several private companies in Malaysia have recently announced they would support the government's action against British companies.

But Mr Anwar said the private sector should not become involved in the row. He also denied suggestions by Malaysia's education minister that relarious between Malaysian colleges and British educational institutions should be broken off and that Malaysian students should no longer go to Britain.

Mr Anwar said Malaysia had been forced into taking action. "We had no choice. Why do I have to decide in favour of British companies and tben be questioned, harassed and accused when we can give the contract to some other company?"

Observers feel that Mr Anwar, by emphasising that the action only applied to government contracts, was seeking to modify Malaysia's stance. Some Malaysians are coocerned that action against Britain could ricochet on Malaysia's own economy. Fears have also been expressed that the action might contravene the Gatt and bring retaliation from the European Union.

But later remarks by Mr Major to the BBC are likely to once again infuriate the Malaysians. Mr Major described the Malaysian move as short sighted and said it could damage Malaysia's interests as well as those of Britain.

"I don't believe that what the Malaysian government has done to British companies is ramotely justified" said Mr Major.

Mr Anwar told a news conference Malaysia had not sought any link between the memorandum of understanding on British arms sales to Malaysia and aid for the Pergau dam project.

He repeated the Malaysia government's version of the negotiations on the project – that the proposals for a British company heing awarded the Pergan contract only became competitive after the British government offered concessionary loans.

"The Malaysian government had no hidden agenda," said Mr Anwar. He said he could not speak for the British side.

Legal 'chaos' in Iraq export case

Lord Justice Scott arrives to chair yesterday's session of the long-running exports-to-Iraq inquiry Picture: Ashley Ashwood

By Jimmy Burns and Kevin Brown

A SENIOR Government lawyer yesterday backed a reform of the system for handling public interest immunity certificates after admitting that there was legal "chaos" in the Matrix Churchill case and qnestioning whether it should have ever taken place.

Mr Gerald Hosker QC, the Treasury solicitor and former legal adviser to the Department of Trade and Industry, told the Scott inquiry that in future prosecuting counsel would be expected to take a stronger lead in ensuring disclosure of material relevant to the defence.

The inquiry heard that in September 1992 – one month before the Matrix Churchill trial – Mr Hosker received a memorandum from the intelligence agency SIS (MI6) criticising the "chaos" affecting several Whitehall departments in their preparations of PII claims on behalf of ministers.

The SIS note focused on the lack of co-ordination in a secret Interdepartmental Whitehall committee known as the Restricted Enforcement Unit – involving the identification of documents subject to classification under the PII system.

Mr Hosker told the inquiry: "In future cases it will be incumbent on prosecuting counsel to ensure that there is no such chaos."

Earlier Mr Hosker said he had doubted whether the prosecution of three Matrix Churchill executives on charges of selling arms-related goods to Iraq should go ahead after hearing that senior Whitehall officials had accepted that advice from Mr Alan Clark, the former trade and defence minister, may have suggested to the executives that their actions they had government support.

Lord Justice Scott questioned how the doctoring of official papers and tbe drafting by civil servants on legal advice of inaccurate witness statements could be justified "in the public interest." He described one witness statement prepared by government lawyers as "junk".

Mr Hosker returns to the Scott inquiry today where he will be pressed about the advice given to the ministers who signed PIIs.

Earlier Mr John Major, the prime minister, distanced himself from the row over Mr Michael Heseltine's evidence to the inquiry. Mr Heseltine on Tuesday accused Sir Nicholas Lyell, the attorney general, of offering contradictory advice.

The dispute between the two ministers is expected to dominate prime minister's question time in the Commons today when opposition MPs will step up attempts to exploit the government's embarrassment.

Pressure on Sir Nicholas eased yesterday as he continued to insist that he would not resign unless he was criticised in Lord Justice Scott's final report.

There were continued rumblings of unease among Conservative backbenchers about Mr Heseltine's evidence, which some think has significantly increased the danger that the judge's report will severely damage the government.

But Mr Major studiously avoided commenting on the affair when be returned to London yesterday morning from a three day official visit to the US.

Britain in brief

Treasury buoyant on recovery

A bnoyant view of the UK economic recovery was presented in tbe Treasnry's monthly monetary report yesterday. The report was publisbed as Mr Kenneth Clarke, the chancellor, held a 45-minute meeting with Mr Eddie George, governor of the Bank of England, to discuss whether a rate cut was needed in the midst of turmoil in the international financial markets.

Tbe Treasury report dismissed a oumber of recent economic statistics, which appeared to suggest that the recovery was weakening, on the grounds that they were caused by seasonal factors.

The surprise rise in unemployment io January is described as being "broadly consistent with a continuing improvement in labour market conditions". The report adds: "Erratic monthly figures are not unnsual, especially over holiday periods."

Overall, the report says: "The latest indicators are mixed, hut consistent with a trend of continning recovery."

House prices show increase

Further evidence of the continuing recovery in the UK bousing market emerged yesterday as Halifax, Britain's biggest mortgage lender, confirmed that house prices rose 2.2 per cent in February, the biggest monthly gain since September 1988.

Figures produced by the Inland Revenue show that the number of homes sold has also risen sharply.

According to Halifax the average price of home has risen 3.8 per cent in the past 12 months to £62,498. The latest price rise follows two months of small price falls. The society said this confirmed that the slow recovery, which started in the bousing market last year, was cootinuing.

High spending by visitors

Spending by nverseas visitors to the UK rose 15 per cent to a record £9.1bn last year, hnt higher expenditure by Britisb travellers abroad led to a widening of the tourism balance of payments deficit.

Brttish travellers abroad spent £12.8hn last year, a 14 per cent increase on 1992, the Central Statistical Office said yesterday. The travel account deficit of tha balance of payments rose to £3.7bn, compared with £3.4hn in 1992.

The UK enjoyed a travel balance of payments surplus from 1968 to 1980. Since then, the travel accoont has been in deficit every year except for 1985 when there was a £571m surplus.

The number of overseas visits to the UK rose 4 per cent to 19.3m in 1993. Visits from western Europe rose 6 per cent to 12.4m. However, the number of visits from North America fell by 2 per cent to 3.3m. Visits from tbe rest of the world increased 4 per cent to 3.6m.

The British Tourist Aulborlty said early indications were that the nnmber of visits to the UK would exceed 20m this year, with expenditure likely to rise to over £9.5bn.

Japanese plant for Shropshire

Hosbizaki Electric, a private Japanese company making ice machines, is to set up a plant to supply the European market at Telford, Shropshire.

This is the first new Japanese investment in Telford since 1991. The town became a significant centre for Japanese manufacturing companies during the late 1980s but over the last three years the flow of investment has dried up.

The Telford plant will be Hoshizaki's second overseas manufacturing unit. It set up a plant in Georgia in the US in 1987 and now has 16 per cent of the US ice machine market. The company, whose annual turnover is more than £500m a year, holds 70 per cent of the Japanese market.

The British government, seeking to capture more Japanese investment, is today holding a seminar for medium-sized companies in Nagoya.

Shortlist for fingerprint job

Ten companies have heen selected to compete for the contract to provide a computerised fingerprint recognition system for the 43 police forces in England and Wales, dnc to begin operation in two year's time.

The 10, selected from 18 applicants, are Arvin Calspan, SAIC, Digital Equipment, Electronic Data Systems, TRW, IBM, and Unisys of the US, ICL, the UK-based company owned by Fujitsn of Japan, Siemens Nixdorf of Germany and Groupe Bull of France.

MPs may vote on Ulster body

MPs are likely to vote next week on whether to set up a parliamentary select committee on Northern Ireland in a move expected to bring the creation of such a body significantly closer.

Mr Tony Newton, leader of the Commons, is expected to announce the timing of next week's debate this afternoon. This could pave the way for the committee to start work shortly after Easter.

The move, consistently opposed by the SDLP, will be interpreted as a bid to placate the Ulster Unionist party, the province's largest political party, which vowed this week not to return to round-table talks on Northern Ireland's future with Duhlin and other constitutional parties.

Brussels 'ambiguity' on excise regulations

By Gillian Tett in Brussels

Ms Christiane Scrivener, Enropean Commissioner for Customs and Indirect taxation, yesterday poured cold water oo snggestions that British consumers might be able to evade excise dnties by importing alcohol or tobacco through European mail order or courier companies.

Speaking in Brussels, Ms Scrivener said the only case in which it was clear that cross-channel excise dnties could be avoided was when travellers bought goods on the continent in person for their own consumption - this is in line with the Brttish government's demands.

However, sbe acknowledged that there was still ambiguity in legislation and said the issne was nnlikely to he resolved until a test case was hrought before the European court.

Her comments, only days after other commission officials suggested that mail order purchases might provide a legitimate means of evading British excise dnties, highlighted the uncertainty surrounding the implementation of the Commission's directive on excise dnty, officially implemented last year.

The issue at stake is the definition of "personal consumption." Current EU legislation permits member states to retain their own levels of excise duty, payable at the point of entry, hut last year's directive allowed consumers to evade duty on goods were purchased In and brought from another country for private consumption.

● Hoverspeed, the cross-channel hovercraft operator, yesterday received a licence for its duty-free shop at Dover – 18 years after it first opened.

Bemused magistrates at Dover granted the £12.50 licence for selling wines, spirits and beer after it emerged that due to an oversight the shop had been operating illegally since it was opened by Hoverspeed's predecessor company Seaspeed.

Bookkeepers counting on Pacioli party

By Andrew Jack

Droves of accountants are converging oo Edinhurgh today to pay homage to the author of the first manual of double-entry bookkeeping published 500 years ago.

More than 100 accounting historians will be gathering in the city as guests of the Institute of Chartered Accountants of Scotland, which claims to he the world's oldest professional body for accountants.

The two-day festival of accounting – renamed the siesta of accounting by unkind observers – is designed to celebrate the life and works of Friar Luca Pacioli, an Italian monk.

Among his many contrihutions to learning was documentation of the principles of accountancy known as "the Italian method" which have remained unchanged ever since: for every credit there is a debit.

The festivities began yesterday with the planting of a red oak in Queen Street gardens in memory of Pacioli, delaying the start of the Institute's council meeting.

They continue with a Pacioli seminar on the man and his work today, and the ambitiously-named session "A torch for the future" tomorrow to consider how the profession may change.

The profession has shown its competitive edge recently by coming up with a range of events by rival bodies designed to praise Pacioli during 1994. Events in honour of Pacioli are planned later this year by Italian, US and international accounting bodies.

The Institute of Chartered Accountants in England and Wales got in first with its exhibition last week called "Figures in proportion", which displays an original copy of the 1494 book, entitled "Summa de Arithmetica, Geometria, Proportioni and Proportionalita".

As Pacioli concluded in his book: "Accounts are nothing else than the expression in writing of the proper order of your affairs."

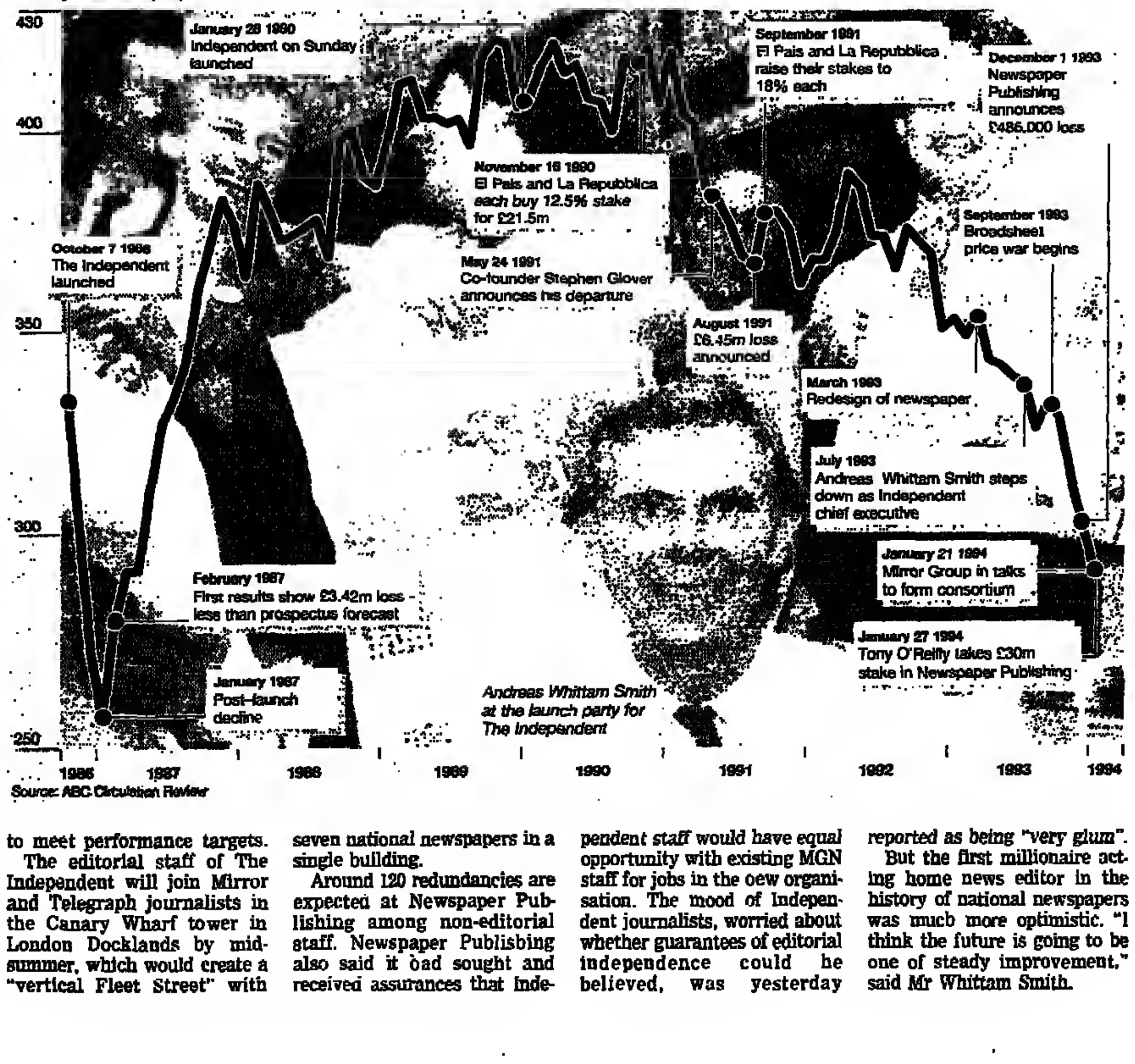
Tha Scottish institute will also have its version of the book on display, although its attempts to launch a similar exhibition failed througb lack of sponsorship.

The English Institute said proudly 83 people had visited since the exhibition opened last Thursday, which was "above expectations". These included the provincial curator of the Franciscan Order in London, the order of which Pacioli was a member.

Independent bidder urges waiving of regulatory probe

Raymond Snoddy on the turbulent recent history of Britain's youngest national daily broadsheet

The Independent's rollercoaster ride



Source: ABC Circulation Review

The consortium close to taking control of British daily newspaper The Independent and its weekly sister the Independent on Sunday will today urge the Department of Trade and Industry not to refer the deal to the UK's Monopolies and Mergers Commission.

The hidding group, which includes Mirror Group Newspapers, will emphasise that serious damage could be done to the newspapers, which face losses of hetween £10m and £12m this year, by the delay and uncertainty that would be caused by a referral.

DTI approval is the final remaining hurdle after the decision yesterday by independent directors of Newspaper Puhlishing, owner of the Independent titles, to recommend an improved offer valuing the company at more than £74m.

The new offer includes an Increased casb alternative of 355p – 5p more than the price paid hy Mr Tony O'Reilly's Independent Newspapers of Ireland for his stake of just under 30 per cent.

The consortium is also offering 104.6p in cash and 1.35 new MGN shares. At MGN's share price of 172p when the offer was announced, this values the deal at 336.7p.

Journalists at The Independent, worried about the independance of the papers, last night renewed their call for a full MMC investigation.

If the deal goes through, MGN will end up with between 25 per cent and 30 per cent of the company, although voting with 10 per cent less than its share stake. El Pais of Spain and La Repuhhlica of Italy will each have a 20 per cent stake but together will have a voting majority.

The fonnders, led by Mr Andreas Whittam Smith who will become chairman as well as editor-in-chief, will have about 3 per cent rather than the present 10 per cent.

MGN will provida all services apart from editorial for Newapaper Puhlishing and both newspaper groups will move to Canary Wharf in London's Docklands.

The Irish Independent gronp will now press for board representation at Newspaper Publishing to reflect its status as the largest single shareholder.

All the signs are that Mr O'Reilly will not sell his stake but seek to remain an influential minority shareholder. He has given undertakings to the Takeover Panel not to make a hid worth more than 350p within 12 months.

Mr Whittam Smith, who has decided to take a decisive grip on the loss-making paper he founded by coming out of his office and editing The Independent from tha home news desk, said he would eat his hat if the consortium did not take its present 47 per cent stake quickly above 50 per cent.

However, it may be the week after next before Mr Michael Heseltine, trade and industry secretary, decides whether or not to refer the bld to the Monopolies and Mergers Commission.

Whatever happens, Mr Whittam Smith is going to have his work cut out.

Last month Independent sales settled at around 285,000 with the Independent on Sunday selling around 350,000. Losses in the financial year to September could be between £10m and £12m compared with £480,000 last year and £20m may have to be raised to deal with deht and promotion. Unless hank facilities are extended or more money raised, the money will run out at the end of this month.

The Independent's directors are, however, pleased at the price they have persuaded the consortium to offer and that "certain pledges" have been made on editorial independence and that redundancy terms will be those available at Newspaper Publishing over the past three years.

One Independent director expressed sadness that The Independent is likely to be less independent than it used to be – at least in managerial terms.

MGN, which could end up with between 25 per cent and 30 per cent of the company, will have a detailed service contract to provide all the needs of Newspaper Publishing including printing, excluding editorial, and what Mr Whittam Smith calls the company's "marketing brain".

MGN will be paid according to running costs spread across all the national titles of the two organisations rather than a fixed annual fee and there will be penalties for failure to meet performance targets.

The editorial staff of The Independent will join Mirror and Telegraph journalists in the Canary Wharf tower in London Docklands by midsummer, which would create a "vertical Fleet Street" with seven national newspapers in a single building.

Around 120 redundancies are expected at Newspaper Publishing among non-editorial staff. Newspaper Publisbing also said it had sought and received assurances that Independent staff would have equal opportunity with existing MGN staff for jobs in the oew organisation. The mood of Independent journalists, worried about whether guarantees of editorial independence could he believed, was yesterday reported as being "very glum".

But the first millionaire acting home news editor in the history of national newspapers was mucb more optimistic. "I think the future is going to be one of steady improvement," said Mr Whittam Smith.

CAN EUROPE COMPETE?

The environment

Black skies, red tape, green fields, grey area

Environmental rules have poured out of Brussels and could blunt the competitiveness of European companies. Bronwen Maddox reports

In the past two decades European countries have wished on themselves more than 200 environmental rules. That formidable legislative effort, which stretcbes from the levels of sulphur allowed to stream out of power stations to the circumstances in whicb yon can legally shoot birds, has won immense public support.

The European Commission, ministers and green campaigners argue that regulation can bring commercial benefits. Mr Jacques Delors, the Commission's president, has said that "an ambitious environmental policy . . . could create hundreds of thousands of jobs".

But many European countries are concerned that it could be a drag on their international competitiveness. Mr John Major, UK prime minister, has warned thet "the UK's commitment in principle to environmental protection must not come at the expense of industry and competitiveness".

Putting numbers to the cost of environmental protection is not easy, but industrialists have amassed a long checklist to support their claim that the green burden is too heavy, particularly in the oil and chemical industries.

- Concawe, the oil industry's European environmental lobby, claims the cost of meeting new limits on sulphur in fuel oils will amount to \$3.3bn in the sbort term, and more than \$5bn eventually.
- The UK chemical industry estimates spending on environmental protection rose from 9 per cent of operational costs to 14 per cent between 1990 and 1992.
- The German electricity industry has spent DM22bn on cleaning up its power stations.
- The UK water industry says the Urban Waste Water directive, under which sewage cannot be pumped into the sea, will cost it between £6bn and £12bn, and that roughly half its current £40bn investment programme is prompted by European directives.

International comparisons, while difficult to make, support these industrial snapshots. Figures suggest that environmental rules are hurting European competitiveness on several fronts.

For a start, European companies may be handicapped even compared to rivals in industrialised countries, let alone developing regions. According to the OECD, total environmental spending by public and private sectors in northern European countries appears to ontstrip that of Canada and Japan, and to be roughly equivalent to that in the US – around 1.4 per cent to 1.6 per cent of GDP.

The Commission'a own figures also aupport northern European companies' complaints that they face tougher rules than companies in southern Europe. German spending, the highest in Europe, is roughly doubla that of Italy, Portugal and Spain.

Compliance with many rules is lowest in the Mediterranean countries and in Ireland – as far as anyone can tell. Mr Ioannis Paleokrassas, the environment commissioner, acknowledges figures are incomplete and that "in the absence of statistics we cannot say anything" about the degree of enforcement. He hopes the new European environment agency being established in Copenhagen will plug these gaps.

The result of high environmental standards, companies say, is that Europe loses companies and industries. For ICI, the international chemical group, the need to comply with mercury emlssion standards was "the final straw" for its chlorine plant at Hillhouse, UK, according to Mr Michael Wright, environmental spokesman. "We just closed the plant," he says.

Some people, including many politicians and environmentalists, reject these fears. They argue that tough rules bring commercial benefits.

Clearly, new markets in environmental technology provide compensations. If some companies have to clean up, then others can sell them equipment – UK water companias have found customers abroad for water treatment devices. However, some studies argue the potential of these markets has been overstated.

Moreover, studies agree that these rewards are reaped only by the handful of countries in the lead – mainly Germany, the US and Japan. Last year the German Institute for Economic Research (DIW) concluded that, on balance, environmental regulation had not harmed Germany as a place to do business, largely because tough standards had helped the environmental technology industry.

A second claim is that higher energy and waste disposal costs make companies more efficient. ICI's Mr Wright says that "rules have given us an incentive to use less inputs and reduce waste".

But some dispute whather those gains count as a benefit of green standards. Mr Wright acknowledges that "we could have been doing this already without the regulation, had we focused on it, but it depends where you put your effort".

A third argument is that "green" products may be more popular with consumers. But manufacturers say they are unsure how much market share they gain because they tend to improve products at the same time.

These claims for the benefits of green rules are not conclusive enough to dismiss worries about the damage to European business.

A better response to industrialists' woes, perhaps, is that aven if competition is suffering, the case is easily overstated.

Mr Martin Houldin, environmental director at consultants KPMG Peat Marwick in London, says: "I believe the environment is in its infancy as a competitive factor, whether as a plus or a minus. The international differences in the cost of labour are generally so much more important that the environment pales into insignificance."

Nevertheless, concern about rising environmental costs may have turned the legislative tide within Europe. Some countries which blithely put their names to directives a decade ago have begun to cast a beadier eye on new proposals from Brussels. The Commission's plans for more recycling of packaging have been scaled down after the ambitious German recycling scheme plunged into near-bankruptcy. Brussels'a most-publicised environmental plan, a tax on fuel and its carbon content, has also stalled in the light of widespread opposition.

Moreover, there is growing pressure, particularly from devetoping countries, to prevent Europe from wielding protectionist tools to shield itself if it finds that it cannot afford its social and industrial standards.

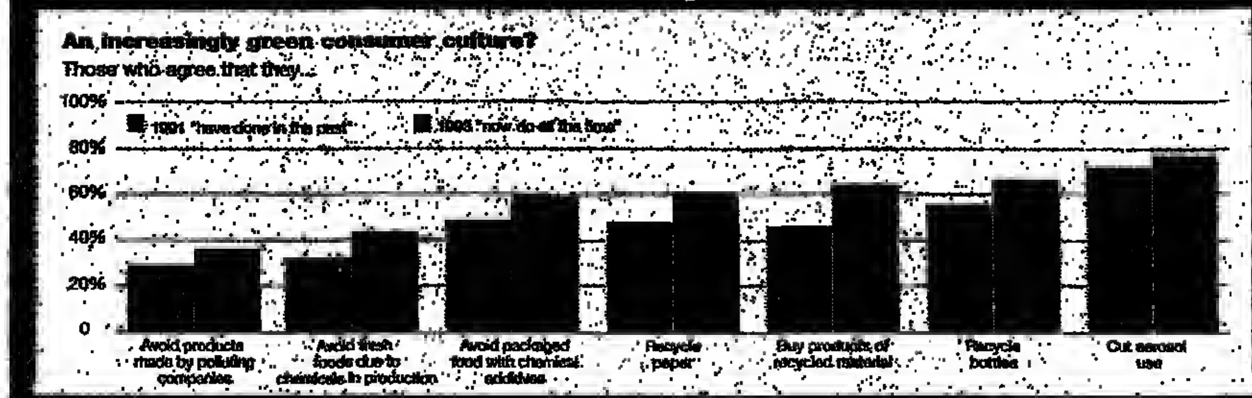
The conclusion of the Uruguay round of the General Agreement on Tariffs and Trade has brought new heat to that accusation. Some European countries want to shut out imports from countries that do not share their environmental standards, hnt developing countries fear that Europe will abuse these principles to shut out as much competition as possible.

The Commission has already warned Denmark that its ban on ozone-depleting substances may have to be modified, and has questioned Dutch plans to restrict timber imports. Mr John Gummer, UK environment secretary, says: "We urgently need to write 'side agreements' into the final version of Gatt to set out a way of resolving these conflicts."

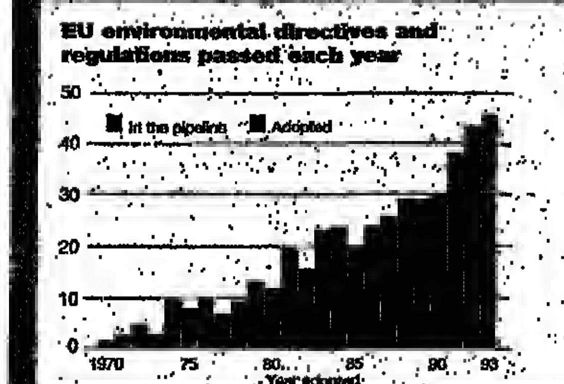
That new scrutiny – from inside Europe and beyond – may help Europe tackle the legacy of two decades of over-enthusiastic rule-making. It may also help it improve a poor record in designing workable and affordable environmental rules.

The great clean-up...

...as environmental consciousness grows...



...but regulation and costs rise



Pollution abatement and control expenditure
As % of GDP

	1985	1987	1988	1989	1990
Austria	1.0	1.0	1.0	—	—
Denmark	0.7	0.8	0.9	0.9	1.0
France	0.6	0.7	0.7	0.7	0.5
Germany	0.7	0.8	0.8	0.8	0.8
Italy	—	—	0.2	0.2	—
Netherlands	1.0	0.9	—	0.9	—
Portugal	—	—	0.5	0.4	—
Spain	—	0.5	0.5	0.6	0.6
Sweden	—	0.7	—	—	—
Switzerland	0.7	—	0.7	0.8	—
UK	0.7	—	—	—	0.4
Canada	0.7	0.7	0.7	0.8	0.9
Japan	0.9	1.0	1.0	1.0	1.0
US	0.6	0.6	0.5	0.6	0.6

Sources: Commission of the European Communities; ... OECD ...

'We cannot continue like this'

Cost of the rulebook

By David Lascelles

Increasingly, Europe is becoming aware of the costs of high environmental standards. The question is whether it can afford them.

At Porto Marghera, in the Venetian lagoon, Mr Lucio Pisani is the director of Italy's largest petrochemical plant, owned by the state company Enichem.

The plant has already been forced to cut hack its operations because of losses caused by foreign competition, and now the environmental pressures are mounting, not least because of the proximity of one of Europe's most beautiful cities.

There have even been demands that the Enichem plant be split up or removed, which has enraged local businesses and alarmed the workforce, already battered by thousands of lost jobs.

"The problems of the lagoon are not chemicals," Mr Pisani says. "The water we put back in the lagoon is better than that which we take out." Since 1991, his company has spent L125bn (\$74m) on clean-ups, a huge sum which Mr Pisani uses to justify the company's continued operation there.

"To those who suggest fragmentation of the site, I say we have the critical mass. That's the reason we can afford all these environmental inprovements." In this he is backed by his workers. "Environmental costs don't add to others. They improve the efficiency and quality of the process," says Livio Marini of the leftwing CGIL labour union.

This view gets an echo in Sweden where Mr Sven Niberg of the Swedish Labour Organisation sees environmental pressures in positive terms. "They have created jobs, for example in tbe engineering industry which has increased production of clean equipment," he says. But generally, industrialists worry about the cost and competitiveness implications of the environment.

Europe'a petrol retailing industry is doing battle with the Brussels Commission over a plan to oblige garages to recover vapours which escape from the pump whan people fill their vehicles. The Commission wants stations to install devices which suck in the vapours and return them to the storage tank – a small but nonetheless costly move.

"Any analysis of the costs and benefits of this proposal produces very disappointing results," says Mr Aurelio Ayala-Thomas, head of the Spanish petrol retalling industry'a trade group. "It entails a lot of investment for a tiny return in environmental terms. These emissions account for only 2 per cent of total emissions of volatile hydrocarbons." Like many EU businessmen, Mr Ayala-Thomas is urging a more balanced approach. He thinks dealing with industrial waste is a more pressing priority.

Ona man who has experienced the bitter costs of environmental clean-nps in an extreme form is Mr Dietmar Hayn. He is mayor of Mölbis, a little community in the heart of the brown coal mining region south of Leipzig. Mölbis was once dubbed the "filthiest village in Europe" because of the neighbouring Espenhain lignite liquification plant which was run flat out by the East Germans. The plant has now been closed down, and Mölbis is being restored.

But employment has fallen from 6,000 to only 1,000. Mr Hayn is hoping to attract in new industries – including factories which make environmental control equipment.

In Leipzig, Mr Arnold Vaatz, the Saxony environment minister, talks of "jobs versus the environment". Coal miners in his region recently demonstrated to persuade a Potsdam power station to burn lignite rather than natural gas, despite the environmental consequences.

But though Mr Vaatz wants to clean np Saxony, he is acutely aware of the price. Hourly production costs in his former Communist-run territory are already 10 times higher than in neighbouring Poland and 100 times higher than in Russia. Yet he still has to conform to EU water standards, for example, which he estimates will cost DM43bn for a population of only 4.6m.

Up in Finland, the heavily export-oriented forestry and paper industry is finding that the environment can entail two quite different types of cost. One is the bill for cleaning up its factory operations. The other is for adapting its manufacturing processes to produce products which meet the environmental standards of its foreign customers. For example, Finnish paper companies now try to make paper which uses less bleach and contains more recycled paper.

Mr Pertti Salolainen, Finland's foreign trade minister, confesses to deep scepticism about Europe's future – in large part because of the costs it is loading upon itself. "In the Far East, they are now prodncing products at prices which are equal just to our raw materials. We can't continne like this." Even though Finland's jobless rate is already 20 per cent he warns: "There is more unemployment on the way."

Mr Salolainen does not believe that the answer lies in compromising on environmental standards because he thinks they are less to blame than unrealistically high wages. But he does believe that Europe should hasten to reach international agreement on standards so that they do not get whittled down by competition among countries keen to reduce their costs.

Knock on benefits from tech effects

The Organisation of Economic Co-operation and Development and the US Environmental Protection Agency estimate the world market for environmental products and services is worth \$200bn (£135bn). The EPA reckons it will reach \$600bn by the year 2000, but the OECD expects it to be only half as big. They agree, though, that growth is fastest in technology for waste management, air pollution control and water treatment, write Bronwen Maddox and David Lascelles.

While markets for environmental products occur worldwide, suppliers are almost entirely from the industrialised world, with Germany, Japan and the US the world leaders. Surveys suggest Germany has a fifth of the world market in environmental technology, exporting 40 per cent of ontpnt and employing 550,000 people in the sector.

Legislation is one reason for growth in this market in Europe. In a survey of 300 environmental tecbnology companies in the UK, by Environmental Policy Consultants, a London-based resaarch group, nearly two-thirds said European legislation was the main reason customers were buying "green" technology.

Bnt soma industrialists, such as Mr Wolfgang Kühnel, director of VDMA, the German industrial plant maker, cantion against unrealistic expectations of the sector's potential for growth and exports. He says the size of this market has been exaggerated, because there are no agreed definitions and because the sector has been abused by manufacturers defining products as "environmental" for marketing reasons. He estimates environmental exports from his own sector comprised 3 per cent of orders last year. "That's not a hit."

'More papist than the Pope'

CASE STUDY: Soporcel

A \$300m paper plant leads Portugal's efforts to improve its image. David Marsh reports

A mountain of finely-shaven eucalyptus wood clippings, a large smoke-stack and a dank lagoon of treated effluent 100 miles north of Lisbon mark a Portuguese industrial showpiece.

The pulp mill and paper plant run by Soporcel, the cellulose company, show how the second poorest country in the European Union can live with the environmental constraints favoured by the richer countries in tha north.

Improving Soporcel's ecological track record has, however, been costly. Other sectors of the country's economy are not financially atrong enough to make a similar effort – underlining the difficulty of fighting pollution in the throes of Europe-wide recession.

The Portuguese government selected the country's highly export-oriented paper industry at the atart of the 1990s to lead a move to improve the country'a environmental image.

Determined to show the rest of Europe that Portugal was no longer a home for polluting industries, the environment ministry, according to Mr Manuel Gil Mata, Soporcel's industrial director, wanted to be "more papist than the Pope".

The company has spent \$33m since 1991 to meet government requirements that are now tougher than those recommended by the EU. The \$300m paper plant near the coastal town of Figueira da Foz started operation in May 1991 on a 60-acre site already occupied by a pulp mill. Supported by loans from the European Investment Bank, the plant ranks as one of the largest in the world.

The paper indnatry is heavily polluting, a consequence both of the residues left over from separating wood and cellulose and of chlorine- and sulphur-based chemicals used in paper-making.

"Three or four years ago, this industry in Portugal was thought to be a very profitable one. The ministry considered the industry had a big investment capacity and this could be used to bring us up to the top environmental standards in Europe," Mr Gil Mata says.

Soporcel has been bearing the brunt of the world-wide downturn, making losses in 1992 and 1993. But, backed by its main shareholders – state-owned investment bank Caixa Geral de Depositos and the Anglo-French paper-maker Arjo Wiggins – Soporcel should meet national and EU standards for emissions in the next few years.

Other Portuguese paper companies, with older plants, are in a less happy position. Reflecting its favourable starting point, Soporcel has budgeted a mere \$4m to 1996 to reduce discharges. Mr Gil Mata, also chairman of the environmental committee of the Portuguese pulp and paper association, says the three other paper mills will need to spend \$50m by 1995 and a further \$135m in 1996 to meet requirements. The scale of the figures casts doubt on the feasibility of tha plan.

Mr Gil Mata asys Soporcel's environmental drive is a valuable marketing tool for the quality-conscious German and French markets.

Bnt ha is sceptical about extending the approach to other sectors. "We were the first, and we are the last."

This is the sixth part of u ten-part series. Tomorrow: Financial services

Paper tiger versus the paper tiger

Eco-labelling

By Angus Foster

Brazil's virgin wood pulp producers ought to be happy. The country's climate and soil mean fast growing species like eucalyptus take about seven years to mature while a pine in northern Europe takes 35. This, combined with low labour and energy costs, gives the Brazilians a product they believe is internationally competitive in terms of price and environmental standards.

Instead of celebrating, however, they are worried annual exports of more than \$500m to the European Union are threatened by planned environmental legislation. They argue that the proposals are protectionist and discriminate against developing countries. The problem stems from proposals in Brussels to introduce "eco-labelling" on paper products, to inform consumers of the product's origin.

The scheme would start with tissue paper, and tissue prodncers wonld incur penalty points if their raw materials ur manofacturing processes were deemed environmentally damaging. Producers who notched up too many points would not get a label.

This month Mr Ioannis Paleokrassas, the EU environment commissioner, said he was also keen to look at eventually introducing a tax on timber to discourage felling in virgin tropical forests.

EU member states are due to vote on the eco-labelling proposals in the next few weeks. Brazil fears the use of virgin wood pulp in paper prodncts will incur penalty points. It is also worried the eco-labelling aystem devised for tissue paper, which has a low virgin pulp content, will later he applied to photocopying and writing paper, where the content is much higher.

To the Brazilians, such penalties are acceptable if they prevent the cutting down of 100-year-old hardwoods or the Amazon rain forest. But most of Brazil's virgin wood pulp exports come from replanted forest "farms" thousands of miles from the Amazon.

According to the Commission, the Brazilians are overreacting. The best producers, who have been awarded a label, may benefit from the scheme if consumers prefer their products, but imports will not be shut out because they lack a label.

But Brazil's Cellulose Exporters Association argues the proposals do not give its members credit for being environmentally less damaging than European producers. In particular, it points out that Brazilian paper companies draw more than 90 per cent of thair electricity from hydro-electric sources – a renewable form of energy which does not cause air pollution – where Europe's electricity is generated largely by oil and gas power stations.

Brazilian analysts acknowledge that the impetus for the Enropean proposals came largely from environmental lobbies rather than competitors in Europe. They also agree that some of the failings which they see in the proposals may reflect bureaucratic oversight ratber than protectionist instincts. But some Brazilian companies claim European competitors will benefit substantially from the proposals.

Charles Batchelor looks at a new passenger ticketing system

Check-in for the Channel rail link

When the Channel tunnel train services between London, Paris and Brussels start this summer, they are expected to compete primarily with the airlines. So it is appropriate that airline-style technology has been adopted at London's Waterloo international station and the other terminals.

The control system at Waterloo is claimed to be the first fully automated check-in system in use at a main line railway station. The automatic gates will not only validate travellers' tickets but will also provide train crews with a list of passengers, their seat reservations and meal requirements for the journey.

Careful control of passenger flows at Waterloo will be necessary to prevent congestion. For all the praise it has won for its striking design, the new terminal has had to be sandwiched into a very restricted site alongside the existing station.

European Passenger Services, which will operate the trains, is counting on most passengers spending just 30 minutes in its Waterloo departures lounge. With seating for 700 people and standing room for a further 1,100, the terminal has just enough space for two full train-loads of passengers.

Passengers booking through EPS's telesales office or one of the main terminals will receive a machine-readable ticket conforming to the boarding pass standard (ATB2) being introduced for airline tickets. This technology is also being adopted by the ferry companies and is in use at Dover and Calais by P&O European Ferries.

On arrival at the terminal, passengers feed their ticket into the check-in mechanism, similar to that used on the London Underground, which automatically opens the entry gate and stores the encoded data.

Passengers without machine-readable tickets will pass through separate channels to manned desks. In the early stages, half of all passengers will have the advanced tickets, rising to 80 per cent in five years.

Waterloo: airline-style technology

The installation at Waterloo forms part of a £4m contract carried out by ICL, the computer group, for EPS, SNCF of France and SNCB of Belgium. Similar computerised local networks will be installed at Brussels Midi, Paris Gare du Nord, Lille and Frethun near Calais, all linked to the central booking system in Lille. One feature of the system is that it allows the fares to be shared out fairly between the three railways.

One problem faced by ICL was that each railway used a different networking system, so the application software written by British Rail Computing in Microfocus Cobol and Dialog has been ported to other systems.

The automatic check-in gates were provided by Dassault Automatismes et Télécommunications, part of the French electronics and defence group. Each gate contains a small visual display unit, a ticket reader, a personal computer and a programmable controller for the sensors which record the presence of a traveller or luggage trolley. The system has been designed to withstand the relatively hostile environment of a station entrance, says Dassault.

Automatic passenger control will allow EPS to offer travellers a 20-minute check-in time and, it hopes, give it a competitive advantage over the airlines.

Crime on the line

Louise Kehoe examines the greater need for security on the Internet

Internet has grown into a global metropolis but, like many large cities, this electronic community linked by computer networks is now struggling to deal with rising crime.

Last month, Internet officials reported that tens of thousands of secret passwords had been stolen. The thieves obtained keys to the private computer files and messages of their victims.

The incidents demonstrate the vulnerability of Internet and raise questions about its use as an information thoroughfare by businesses and others who may be sending or receiving sensitive information via electronic mail or file transfers.

Despite its genesis in a US Department of Defence programme in the early 1970s, Internet was never intended to be a secure network – quite the opposite. It began as an electronic communications system for researchers in US universities and government laboratories, with the idea of encouraging dialogue and sharing ideas.

Early Internet users seldom thought of protecting computer files from intruders. "Security was not a very high priority on Internet. Openness and communications were the most important issues," says William Yundt, director of networking at Stanford University, California. "As the Internet population grows, however, that is inevitably changing."

Over the past few years, use of Internet has grown exponentially as individuals, businesses and colleges throughout the world have linked up their computers and local networks to "The Net", as it is commonly called. There are now an estimated 20m Internet users and commercial data traffic is increasing at a compound rate of 20 per cent a month, says Al Hoover, vice-president of ANS, a data communications company which operates the high-speed US coast-to-coast "backbone" of Internet for the National Science Foundation.

The expanding population of Internet has brought with it some undesirable elements. These include "crackers" who make a hobby of breaking into private computer files. To date, most such incidents appear to have been pranks by individuals out to prove their computer prowess.

The latest incidents are, however, unprecedented in scale and may be the work of an organised group, Internet experts fear. A "sniffer" program masquerading as an innocent computer program was planted in several computers on Internet, says Terry McGillen of the Computer Emergency Response Team (CERT) Coordination Centre at Carnegie-Mellon University in Pennsylvania. This secretly recorded the passwords and names of individuals who accessed the affected computers. Armed with these passwords, the "crackers" can examine private computer files and record, change or destroy data or send computer messages in the name of the password holder.

Last October, a cracker obtained passwords that may have been used to access dozens of computers in US, Japanese and European companies as well as universities and government departments. In another case, a month earlier, the electronic mail and files of a California magazine were invaded by a cracker. Computers at the University of California have been "cracked", as has the host computer of "The Well", a California group providing public access to Internet.

Victims of the latest incidents include users at computer sites in the US and Europe, McGillen says. "And the preliminary estimate that tens of thousands of passwords may have been compromised could significantly increase. We have been flooded with calls and are still gathering data."

CERT has warned all Internet users to change their passwords as a precaution. However, this is only a temporary solution because new passwords could be stolen in the same way.

The crux of the problem is that passwords currently flow through most computers on Internet in "clear type", making it all too easy for crackers to record them illicitly. Password encryption is the obvious solution, but implementing such a change will take time and is fraught with problems.

First, there needs to be an encryption standard for all computers linked to Internet. Then it would have to be adopted by all computer sites. Development of an encryption standard is under way. However, as Yundt points out, security measures are a nuisance for legitimate network users and can be expensive to implement. They also run contrary to the free spirit of open communication that is at the heart of Internet culture.

Another potential hurdle is that, despite protests from the computer industry, the Clinton administration this month determined that export controls should remain on most types of encryption technology. These controls have already forced the elimination of encryption features from the latest version of the Unix operating system used on most Internet host computers.

In the meantime, large corporate users of Internet are erecting barriers between their internal computer networks and Internet. "Prudent organisations no longer keep sensitive information on any computer that is linked to the Internet," says Bruce Baker, head of the information security program at SRI International, a research and consulting group.

For Nick Trio, Internet administrator for International Business Machines' Watson Research Centre, the challenge is to provide IBM researchers with the benefits of access to Internet, while protecting IBM's internal computer networks.

To achieve this, IBM and many other commercial Internet users create "firewalls" between Internet and their internal computer networks. "We use secure gateways – minicomputers that are one-way links to the Internet," Trio explains. All electronic mail sent to IBM via Internet, for example, is collected in a "mail gateway" isolated from the company's internal networks.

User authentification, a technique widely used to secure corporate networks, is also used by IBM to ensure that unwanted visitors do not access its computers via Internet. IBM researchers wanting to access their computer files while working at home or travelling must identify themselves with a password and also use a "smartcard" security device that generates the answer to a "random challenge" which changes every time the system is used.

Fencing off computers from the Internet is, however, analogous to installing burglar alarms on houses without having a police force to deter criminal activity throughout a city. Ultimately, there will have to be some form of policing of the network to ensure data security if the "Internet metropolis" is to remain habitable.

Testing time for AZT

Does Wellcome's Aids treatment, AZT, actually work?

Sometimes, and maybe quite often, is the accepted answer in the scientific community. But that "maybe" has been there for several years, mystifying academics, drug regulatory authorities and carriers of HIV, the Aids virus, alike. The latest research, far from clarifying matters, has only served to confuse.

AZT's usefulness for people with symptoms of the disease is well documented and the drug is widely prescribed. But AZT's sales growth has all but stopped at less than £250m a year, partly because the number of Aids sufferers is relatively small: estimates suggest that less than 10 per cent of HIV carriers have the disease.

The question that remains is whether AZT can prevent the onset of Aids in HIV carriers who are otherwise healthy.

That question was apparently answered almost a year ago when preliminary results from the respected, long-term Anglo-French "Concorde Trial" suggested that HIV carriers did not benefit from receiving AZT. These results contributed to Wellcome shares being the worst performing component of the FT-SE 100 index in 1993.

But, while the final version of Concorde was being prepared, other researchers continued testing AZT on HIV carriers.

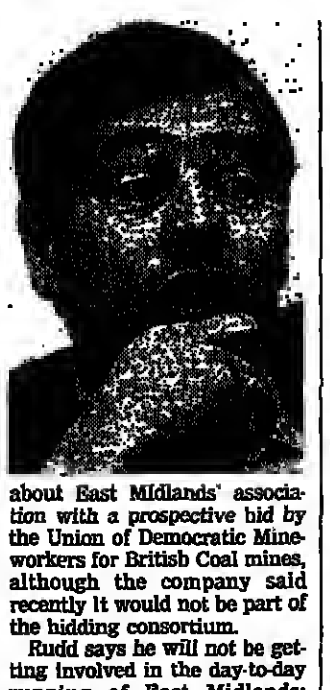
The latest findings, published last week, appear to conflict with Concorde. Researchers at the Johns Hopkins School of Public Health in Baltimore, Maryland, who studied more than 2,000 HIV-infected men, say AZT "delayed Aids onset or extended life". Alfred Saah, associate professor of epidemiology at Johns Hopkins, said explicitly that the work disagreed with Concorde.

Resolution of the confusion may now be close. Publication of the final version of Concorde has been expected for several weeks. City analysts rank it alongside profits figures in importance for Wellcome.

Daniel Green

PEOPLE

Nigel Rudd takes on another chair



Nigel Rudd, chairman of Williams Holdings, is to take up the chairmanship of East Midlands Electricity from May 1 on a non-executive basis.

He takes over from John Harris, 55, who has been in the industry for 38 years and will be taking early retirement from April 30. In his 12 years as executive chairman, Harris has been one of the regional electricity sector's most powerful chairmen but his high profile and decisions on diversification have sometimes upset investors.

Rudd's appointment is the latest in a series of appointments to key electricity posts of people whose experience is large outside the industry, although he has been an East Midlands' non-executive director for four years. When Harris goes, the chairmen of half the 12 regional electricity companies in England and Wales will have moved on since privatisation in 1990, several of them replaced by industry newcomers.

Although Rudd has made his name as the head for 12 years of a highly acquisitive group, he made clear yesterday that his role at East Midlands will be markedly different from that at Williams. He wants East Midlands to focus on the "core electricity businesses" – which the City interprets as meaning he would be unlikely to want East Midlands to make further acquisitions.

In the past, East Midlands' shares have been among the lowest rated, partly because of its acquisition of electrical contracting companies which have performed below expectations. There has also been disquiet about East Midlands' association with a prospective bid by the Union of Democratic Mineworkers for British Coal mines, although the company said recently it would not be part of the bidding consortium.

Rudd says he will not be getting involved in the day-to-day running of East Midlands: "The company has an excellent team to do that already."

■ George Constantinidi is to become chairman on an interim basis at the recently-restructured property company Greycoat.

He replaces Geoffrey Wilson, who founded Greycoat and turned it into one of London's most ambitious property companies, with developments such as Embankment Place. But it was undone by collapsing asset values and complex financing, and Wilson agreed to retire at the end of March, following Greycoat's resuscitation by South African financiers Brian Myerson and Julian Treger.

Constantinidi has been a non-executive director since Greycoat acquired City Offices in 1982, but his length of tenure as non-executive chairman will be significantly shorter. It is understood that one appointment recently fell through, but other names are under consideration. The company said it would not rush into a final decision.

■ James Horan, formerly financial controller at Data Logic, has been appointed the first director of finance at the BUILDING RESEARCH ESTABLISHMENT.

■ Bruce Bossom, former property director of Mountleigh Group, has been appointed a director of LASALLE PARTNERS in London.

■ Adrian Sellers has been appointed commercial director of Balfour Kilpatrick, part of BICC; he moves from Swan Hunter.

■ Clifford Fudge, technical director of Earthspan, has also been appointed technical director of Celcon Blocks, both part of KINGSWAY.

■ Colin Carter, a partner of Gardiner & Theobald, has been seconded to the central unit on procurement at the TREASURY as a works project adviser.

Large quits Bupa

Bupa, Britain's biggest private medical insurer and healthcare group, yesterday announced the resignation of Arthur Large, managing director of its UK membership division, after management disagreements.

A Bupa statement said Large's departure had "arisen from differences about the strategic direction of the insurance business", but the company declined to be more specific about the nature of the differences.

Large was one of the central figures in a new Bupa management team built up by Peter Jacobs, chief executive, when he joined the healthcare group from British Sugar. Large, who was with the RAC before Bupa, worked with Jacobs to inject stronger commercial attitudes into the management of the previously genteel group.

Private healthcare has become far more competitive in recent years and Bupa, although still dominant, no longer enjoys the market share it once did. According to last month's Monopolies and Mergers Commission report on private medical services, Bupa's share of the insurance market – although not its turnover – fell from 59 per cent in 1985 to 44 per cent in 1992.

Large will be succeeded by Roger Hymas, 47, who joined Bupa in 1992 as group marketing director. His previous employment history includes posts at American Express and Burton group.

Insurance moves

■ Derek Thornton has been appointed UK national marketing director of FENCHURCH Group on the retirement of Peter Bedford.

■ David Binding, formerly company secretary of Saatchi & Saatchi, has been appointed group company secretary of LEGAL & GENERAL in succession to John Neill.

■ Mark Tucker has been appointed md of PRUDENTIAL Corporation Asia; he moves from Jackson National Life, the Pru's US subsidiary.

■ Stephen Dinsdale, chairman of Americas Insurance Co, has been appointed md of SEDGWICK's underwriting operations.

■ Derek Rogers has been appointed a director of Cannon Assurance, part of LINCOLN NATIONAL (UK).

Barings' global shuffle

Barings is beefing up its emerging markets coverage by sending two senior directors, to New York and to Hong Kong, to be closer to the clients in Latin America and Asia respectively.

Andrew Norris, 41, goes to New York as joint head of equity capital markets, while Jeremy Palmer, 37, whom Barings is hiring from J.P. Morgan in London this month, moves out to Hong Kong, as the other equity capital markets boss.

"Latin American business naturally looks to the financial community in New York, not London," Norris explains. In terms of placement power, proximity to the North American investor base for say, an Asian deal, is important, too. He adds that "the competition" – largely American investment banks – had been observed last year moving more staff out to Hong Kong for similar reasons.

"The trouble is, issuers tend to look on the Americans as being more globally capable. Actually, it is a complete fallacy – the majority of our staff live outside Europe. Do the majority of the staff of an American investment bank live outside America?"

Norris's equity capital markets operation in London had recently become, for administrative purposes, part of Baring Securities, rather than Baring Brothers. Following the departure of Christopher Heath, Baring Securities is now headed by Peter Norris, Andrew's brother who is two-and-a-half years his junior. So is he pleased not to be reporting directly to him any more? "I rather miss him actually," is the reply.

David Watkins, 49, a Goldman Sachs veteran between 1972-1991, joined in January and becomes the director with responsibility for equity capital markets not covered from New York or Hong Kong – again principally emerging markets – as well as for London syndication of Asian, Latin American and other issues.

MANAGEMENT: MARKETING AND ADVERTISING

As the value of unit trusts hits new highs, **Scheherazade Daneshkhu** looks at the industry's marketing methods

Name of the game

The value of unit trusts in the UK climbed to £99.9bn by the end of January. The disappointment of just missing the £100bn mark and the excellent marketing opportunity that would have afforded the industry was palpable.

Nevertheless, the figure is tbe highest recorded by the industry and is almost three times the value at the end of 1987 (the year of the stock market crasb). Last year alone, unit trusts attracted more than £9bn of net investment, the highest annual inflow recorded, and almost equivalent to the sum of net investment in the five years (1988-1992 inclusive) after the crash.

In addition, the steady fall in interest rates, particularly since the UK left the Exbhange Rate Mechanism in Septemher 1992, has increased the popularity of pooled equity funds which offer investors a wide spread of holdings.

Not surprisingly, this bonanza, and a favourahle economic background for equity investment, have contrihuted towards a sharp increase in the marketing hudgets of many fund management groups.

"The public gets interested in investments when interest rates are low. This is important to the sale of unit trusts – it is much easier to sell when the market and macro-economic conditions are right," says Mark Sylvain, executive director of retail business at Fidelity, the US investment house established in the UK for 15 years.

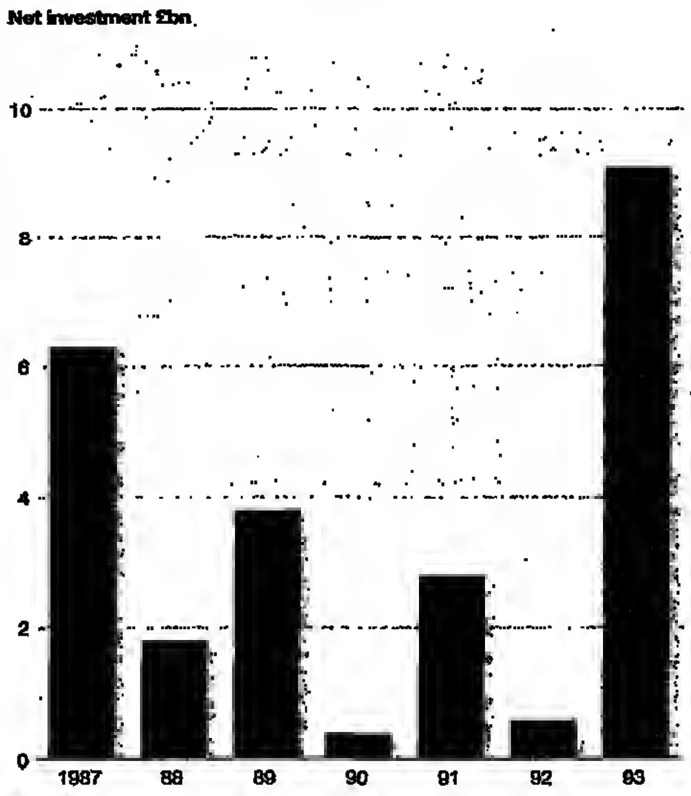
Figures from Register-Meal, the media researcb company, show that the advertising of unit trusts (which does not oecessarily include unit trust personal equity plans), based on the rate card costs of advertisements in the media, increased substantially in 1993.

The fund management groups with tbe highest spending were Fidelity, M&G and Save & Prosper. Fidelity, for example, spent £2.2m compared with £738,000 in 1992, according to Register-Meal, while the comparable figures for Save & Prosper were £1.2m in 1993 compared with £245,000 in 1992.

It is still far short of what the industry would like, however. In the US, about 27 per cent of bouseholds invest in mutual funds; in the UK, less than 3 per cent of the adult population has a unit trust.

Most unit trusts sold to the public are through intermediaries, such as financial advisers, but direct promotion is regarded as an important marketing tool, not only as a way of attracting investors but also to increase name recognition. With more than 1,400 unit trusts and 100 unit trust management groups, investors do not lack choice, so an investor consulting an intermediary is more likely to agree to invest in a recommended fund if be has heard of the company.

Unit trust sales in the UK



Source: AUTIF

Roger Jennings, M&G's unit trust marketing manager, says: "We want to have a constant presence and we spend at least £1m a year on the direct side – that excludes special promotions – just to be present. It is still cheap compared with having to maintain a branch network like the building societies." About 90 per cent of M&G's marketing budget is spent on advertising.

Mike Ryder Richardson, marketing manager at Save & Prosper, says the company bas increased its marketing budget in the last two or three years, but: "We kept our promotional spending high in the bear market because we thought that since it was a less competitive market we could gain high visibility." Ryder Richardson says S&P's recent promotion of rugby at a cost of £750,000 for a year has been particularly successful in increasing its name awareness.

Mercury Asset Management has turned to radio to increase brand awareness. It has been sponsoring London Broadcasting Centre's financial news updates since 1992. Richard Royds, managing director of Mercury fund managers, says the drawbacks of radio are offset by the advantages. "The problem is that people cannot cut out a coupon as they can in a newspaper but it is awareness-building at a reasonable price."

None of the advertising sttempts to define a unit trust. Victoria Nye, director of communications at the Association of Unit Trust and Investment Funds, the industry body which has just started a campaign to attract what it terms the "missing millions" of potential investors, says: "Wa did not want to pose a boring question: 'what is a unit trust?' hut prefer to say why it is useful to you. It becomes clear through our literature what a unit trust is."

Unit trusts have to compete with investment trusts and insurance-linked products for equity investors' money. Sylvain says it is imperative to attract the investor's attention through advertising. His is one of the few companies to advertise on televiston with the goal being to get the viewer to call a freephone number.

Newspapers and posters remain the backbone of advertising because of the amoumt of information they can contain. "Investors tend to hlank out the ads of companies they have not heard of and somehow you have to break thr511gh that," says Sylvain. "We will advertise in five to six pages of a paper with a huge ad to begin with, and ads on every page after thet."

Fund launches and personal equity plans, which allow investors to save money in equities without baving to pay income or capital gains tax, are vital marketing tools. "For some reason, people seem to think that buying a new fund is better than an existing one so we try to promote old funds hy giving them a new spin, such as adding a PEP facility," says Sylvain.

M&G relies on consistency to convey reliability. Peter Emms, group marketing and sales director, says: "Kit-Kat has always been promoted in the same way and we believe consistency in the style of our advertisements to get across the message of value and simplicity is important. Our posters are a permanent thing and people do notice them over a period of time."

The challenge to unit trusts will come when interest rates rise again. If the companies can retain investors' money, they will be able to regard their marketing efforts as a success.

Says Jennings: "We actually believe that equities are what people ought to have. What a great pity that typically women, whose husbands have died, have put their money in the building society and put a tiny amount into equities. Now, after 20 years they are enjoying a very poor lifestyle. It's a pity we have not been better at persuading them to do the opposite."

On the prowl for copycats

Neil Buckley reports on the battle to stop retailers from selling products identical to famous brands

Consumer goods manufacturers in the UK are fighting to stop retailers selling own-label products that look almost identical to well-known brands.

A dozen of the biggest names have formed the British Producers and Brand Owners Group to press for a change in the law – which they say lags far hehind those in other European countries when it comes to protecting their products from "copycat" competition by retailers.

Members include Allied Lyons, Gillette, Guinness, Grand Met, ICI Paints, Kellogg, Mars, Nestlé, Procter & Gamble, SmithKline Beecham and Unilever.

They say own-label prodncts are being designed deliberatley to resemble manufacturers' brands – using similar bottles or packs, colours and typography, even similar names. But while manufacturers spend millions of pounds on research, development and marketing of brands, it costs retailers very little to copy them.

The issue, says Michael Mackenzie, director-general of the Food and Drink Federation, which represents manufacturers, is not so much that consumers might mistake the own-label prodnct for the manufacturer's brand. Rather, look-alike hrands may "give the impression that the manufacturer of the proprietary brand has made the own-label prodnct".

Brand manufacturers may have contributed to the confusion in the past by actually making own-label products for supermarkets, but most no longer do so. Kellogg recently ran an advertising campaign based on the fact that it does not make cereal for anyone else.

While the big names believe the problem has worsened, they have nevertheless been relnctant to speak out. This is because their relations with retailers are delicate. "The worst thing you can do is to pick a fight with your biggest customers," says Mackenzie. "But the customers are giving them no option."

What bas prompted manufacturers to move now is the prospect of changing the law through the government's Trade Marks Bill, which was introdnced first into the House of Lords and reached the report stage last week. It will get its third reading in abont 10 days' time.

The bill is designed to harmonise UK laws on unfair competition with those in other EU countries, based on the Paris Convention on intellectual property. It aims to make it easier to register trade marks, as well as certain shapes, words and logos on packaging.

Bnt manufacturers say it does not go far enough. They want protection against look-alike brands which imitate the overall appearance of their own brands, without directly copying logos or designs. Lord Reay last week introduced an amendment on behalf of the hrand owners group extending such protection.

After a debate in the Lords last Thursday, Lord Reay withdrew his amendment when the government promised to review the issue, but the group may re-introduce its amendment if the government does not act during the passage of the bill.

Paul Walsh, partner at Bristows, Cooke & Carpmael, a law firm specialising in intellectual property, says the UK is out of line with most of Europe in not giving brands proper statutory protection. Germany has a statute on "protection of get-np", and there are similar laws in France, Benelux and Greece.

The problem of look-alikes is particularly sensitive in the UK because supermarkets have worked hard to change consumers' perceptions of own-label products from inferior imitations to quality alternatives. Retailers make much higher margins on own-label prodncts because they do not bear the same development costs as manufacturers. The hig three UK grocers – Sainsbury's, Safeway and Tesco – have pushed own-label sales to more than 50 per cent of turnover, far higher than elsewhere in Europe.

But opponents of the amendment argue that the bill as it stands, coupled with existing safeguards, is adequate. The British Retail Consortium, which represents more than 200 retailers, says manufacturers are attempting to restrict sbops' ability to introduce own-label products.

"Shoppers are not confused," the consortium said. "They are very canny and read the label carefully." The Consumers Association found in s survey last month that shoppers showed a preference for many own-label products in blind tastings. It warns that tighter restrictions on own-label products could lead to narrower choice for consumers.

Cinema/**Nigel Andrews**

Part of life's rich pageant

Great clichés, like great mountains, take millennia to form. Consider that old Hollywood favourite, "All human life is here." It looks like an inert, ponderous, unavoidable statement: a sloganeer's *massif*. But how many aeons of PR prehistory conspired to produce its perfectly hewn shape?

And what does it take to change that shape? A few seconds: given the right tremor at the right time. We get a "real" earthquake at the end of Robert Altman's wonderful 3¼-hour fresco of Los Angeles life *Short Cuts*, based on eight transplanted stories by north-eastern writer Raymond Carver, when the 22 casually intersecting main characters are united, after a fashion, by a shudder from San Andreas.

But there is another earthquake in this film. It is Altman the cliché-buster shaking up another mighty cliché. His career began with all those genre movies that were not genre movies. *M*A*S*H*, *The Long Goodbye*, *McCabe And Mrs Miller*, *Nashville*: private eyes, cowboys, song-and-dance, except that nothing and nobody in these films behaved as Hollywood habit demanded. *Goodbye* was a film noir shot in sunlight, *McCabe* a snowbound Western, *Nashville* a disaster-musical.

SHORT CUTS (18)
Robert Altman

SHADOWLANDS (U)
Richard Attenborough

THE BALLAD OF LITTLE JO (15)
Maggie Greenwald

Short Cuts uses Carver's writing partly to hack away at, and re-shape, the soap opera tradition's spreading empire on the modern screen. If "all human life" is here, it is served up not in the dainty, well-formed portions of most domestic agony-serials – opera buffet – but in raw, bleeding chunks which we fight over like feeding birds. Here is the housewife (Madeleine Stowe) biting on her unhappiness over an adulterous husband (Tim Robbins). Here are three fishing friends whose weekend is disrupted when they find a corpse in the river. Here is a mentally disturbed baker (Lyle Lovett), who poisons a couple's lives with anonymous phone calls. Here is that couple (Andie McDowell, Bruce Davison) whose son is dying in hospital after a car has knocked him down. Here is the car's waitress driver (Lily Tomlin) and her good-for-nothing chauffeur husband (Tom Waits) . . .

Grim but zany, and a little like *Nashville* without the music. Except that Annie Ross is on hand, singing moody blues in a bar when *not* squabbling at home with her neurotic cellist daughter Lori Singer.

These two figures, though, are the only ones not hewn from Carver's writing – though Ross's character "Tess" bears the name of the writer's widow who gave this movie her blessing – and they are the only jarring presences. They seem too programmed-in, their problems at once melodramatic and too hazy.

The brilliance of *Short Cuts* elsewhere lies in its surgical casualness, at once blithe and precise. As everyday life is cut open before our eyes, no one in this biopsy on a blighted Paradise is allowed to escape attention by the excuse of "insignificance." All human life for this director *means* all human life. The audience becomes co-artist with the filmmaker in exploring that uniquely fertile chaos – that Designer Disorder – that Altman creates by giving credible and compelling characters their own fragments of vividly autonomous life.

*

Shadowlands, by contrast, feels warmed-over from reel one. This film might have been made from the remains of *The Remains Of The Day*, possibly sprinkled with bits of *84 Charing Cross Road*. Here is Sir Anthony Hopkins choking back the emotions again, this time as writer-scholar C.S. Lewis. And here is the woman who strives to awaken him. Only this time it is Hollywood's Debra Winger rather than Our Emma, and she plays the American divorcee Joy Gresham who died of cancer shortly after rescuing C.S. from a mouldering Oxford bachelordom.

You may have seen the TV and stage play: now see the film. It too is scripted by William Nicholson. It too, to judge by the number of handkerchiefs audibly deployed during the Press show's closing stages, is for many a substantive weepie.

I found it to be substantive twaddle, bar the performances. We know director Richard Attenborough is good with actors, having been a good one himself. Here he steers Hopkins and Winger through the deeps and shallows with some skill. But how few the deeps are: mostly a lot of rendered-down Lewisian stuff about the justification of pain in the divine plan. And how plentiful are the shallows.

When it comes to imagery, as *Gandhi* and *Cry Freedom* taught us, Attenborough seldom conveys a point subtly or obliquely when he can push it in our faces with both hands. C.S. Lewis was an emotionally arrested man afraid of life and feeling? Then paint his cottage interior in dingy grey-greens with yellowing woodwork and make sure the framed prints and pictures are all in black and white. (Only exception, the childhood favourite by his desk depicting a golden valley).

Emotional turmoil: Madeleine Stowe and Tim Robbins in 'Short Cuts'; and Anthony Hopkins and Debra Winger in 'Shadowlands'

Joy Gresham was a force of life and vitality? Then have Debra Winger do all those noisy, pushy things Americans do in British movies, from hollering across the Randolph Hotel tea room (tsk tsk) to forcing stiff upper Brits to talk about their feelings.

Whenever the camera goes outside, trying to aerate Nicholson's script, we are treated to clichés no more welcome for being marginally more scenic: the mandatory strolls through the tourist-brochure quadrangles or – beyond Oxford – to the odd lush margarine-commercial landscape. Ah! the golden Herefordshire valley that C.S. and Joy discover together (his painting's original), and whose delight-bringing beauty they see as part of the "deal" with the pain to come.

This metaphysical bromide sticks in the filmgoer's throat more than anything. The idea of the "deal," a shopkeeper's-ledger view of joy and pain, is also what we bow out on: a specious balm placed on Joy's death and the audience's grief, a contentious comfort clipped from the pages of Lewis's own late philosophy.

Shadowlands promises us a true-life tragedy but gives us only a weepie with a message: one that only the actors emerge from with dignity. Amid the encroaching schmaltz, Winger somehow manages a few strong, acerbic, moving strokes. And Hopkins, after much diffident head-bobbing and emotion-parrying in the approved *Remains* style, has a few final seconds, just before the bell, of real histrionic fighting.

*

Sometimes a film from one country seems to die and be translated to another. Surely Maggie Greenwald's *The Ballad Of Little Jo* is "Orlando Goes West"? Suzy Amis, who could be mistaken on a dark night for Tilda Swinton, plays a young lass who dresses as a man. Choosing to live in wildest 1860s Montana after being thrown out of home for becoming pregnant – child is left to sister – she decides that britches, cropped hair and a self-inflicted cheek scar are a must. She becomes "Mister" Jo.

He/she still falls foul of Ian McKellen, playing a brutish hotblooded Midwestern mine-supervisor. And he/she risks all by pursuing a Politically Correct agenda decades before such things were fashionable. No male chauvinist chit-chat, please, in Jo's presence. And look at the courage with which our hero(ine) rescues from a racists' lynching – and later falls in love with – a Chinaman called Tinman (David Chung), whose name I thought I heard someone say was short for Tiananmen.

This is a horse opera with moral-political hindsight. Like any beast with eyes at the wrong end of its person, it fails to get up much forward momentum but does have a loopy charm if you are not in a hurry.

Ballet/**Clement Crisp**

Twyla Tharp Dance

Twyla Tharp's dances, like her dancers, offer a thrilling display of energy that knows exactly where it is going, where it has been – in the sense of the influences that have shaped it – and what it wants to do. This is dancing purposeful, vivid, hugely satisfying. And it can be seen for the next ten days in the smaller of the Riverside Studios in Hammersmith.

I reported on the Tharp troupe in their current repertory at the Paris Opera last autumn. The change of location is a shock – from the expanse of the Palais Garnier's stage (which the Tharpians grandly filled) to the close quarters of Riverside 2 is carrying contrast to craziest extremes – but the dances and the dancers (their wits very much about them) triumphed on Tuesday night on no uncertain terms.

There is a lot to complain about in this present setting. Getting to Riverside through a maelstrom of traffic is a wall-of-death exercise; the seating in the theatre is bum-numbing and for the most part fit only for midgets; the dance area is reasonable, though there is no wing-space, while the dancers must warm-up in front of the audience as it arrives, which I suppose is a bonus for people who want to see performers' bodies at their private devotions, but I think it an intrusion. Yet there is also a lot to praise: Riverside's enterprise in acquiring Tharp's troupe when a tour was cancelled; the opportunity to see superb dancers and superb dances at close quarters, and the extraordinary immediacy this brings to performance and our *response to it*.

The balance is on the right side, and the season is not to be missed. The first of two programmes opened with the recent *Sextet*. Three couples; some undistinguished mock-Hispanic jazz; popular dance – even jitterbug – balleticised. These are ingredients which Twyla Tharp cleverly manipulates, though despite brilliant dancing from Stacy Caddell and Shawn Stevens (fine dancers from Balanchine's stable), I do not find the piece reaches far enough into the music or the idea of dance-hall style to seem more than an appetiser for the delights to come. These are the blazingly contrasted *Baker's Dozen* and *In the Upper Room*.

While you watch *Baker's Dozen* you know that it is the happiest, jokiest, nicest thing in the world. Four enchanting piano rags by Willie "the Lion" Smith; white clothes; dancing that is both relaxed and tautly responsive to rhythm; twelve dancers who are friends, and can play merry tricks on each other and on dance itself; movement that runs and slides and takes a pause and then nips along over and through the music. Bliss.

In the Upper Room suffers at Riverside from lack of space, and more especially from lack of the lighting that gave it such drama on the Garnier stage – choreography roaring at us from out of the dark and mist, or pin-pointed with singular vividness in a shaft of illumination. But it remains a prodigious example of Tharpian analysis, of movement contrasted – athleticism versus classicism on the most obvious terms – and activity sprung from the grinding motor rhythms of a Phillip Glass score. It is dance driven, relentless, sometimes fractured or trapped in the vain repetitions of Glass's orchestra. It is made by someone who is fascinated by how dance works, how it may be shaped and re-shaped, exposed and obscured. It is an intellectual (quite as much as a theatrical) exercise by a dazzling choreographer who holds our attention at every turn and twist of her imagination, and it is danced with that energy, clarity, self-sacrificing brilliance that we expect of Tharp's casts.

Very exciting in it are two male dancers: Jamie Bishton – massive scale to his movement, micro-second alertness to rhythm – and Petter Jacobsson, his classicism given a bright edge and a kind of wilful daring. Absolutely admirable are Stacy Caddell, Shawn Stevens, and the rest of the cast. Wonderful dancing in wonderful dances.

At The Riverside Studios with two programmes until March 12. 081-748-3354.

Concert/**David Murray**

The Nash plays Casken

Having been sour about the Nash Ensemble's first concert in its Wigmore season last autumn, I am happy to report that the players were back on their usual distinguished form for the second of four "20th Century" concerts. Each includes a premiere; this time it was John Casken's *Infanta Marina*, a *concertante* piece for cor anglais and a pair of competing instrumental trios.

Casken's star has been rising steadily for several years, especially since his *Golem* opera at the *Almeida Festival*. He is a romantic, fiercely loyal Northerner with scrupulous musical standards. Here, his inspiration was Shakespeare's princess Marina in *Pericles*, as re-imagined by the poet Wallace Stevens: tempest-tossed, at the eccentric mercy of fate, but resilient and calmly reflective.

While the competing trios pursue their own lively material and sometimes coalesce, the solo cor anglais (Gareth Hulse, visually an unlikely Marina, but musically character-laden) responds sweetly, arbitrates, offers sidelong commentary. Immediately attractive, *Infanta Marina* promises to divulge much more on further acquaintance. Some day soon, there should be a big, definitive Casken piece which will set his music in perspective – perhaps his forthcoming violin concerto for the BBC Philharmonic, or his Philharmonia commission for 1996?

A refurbished work was the late Roberto Gerhard's *op. 1*, a dozen Straussian songs on Catalan poems, for high erotic soprano: "With the velvet of my eyes I shall weave you a carpet/ Which shall lead you to my bed." Meirion Bowen has made clever arrangements of six of those for a dozen players – in a couple of passages, maybe too "orchestral" – and Rosa Mannion sang them seductively. A rediscovery, not quite new but not yet familiar, was the original version of Falla's *El Amor Brujo*.

Most of us know it in its later, more luxuriant dress. It was exciting to hear the Nash players and their conductor Lionel Friend make so much of the leaner original, with Jean Rigby's lusty mezzo to electrify the songs. For good measure, we got Michael Berkeley's ingratiating, eclectic little *Nocturne* and a sharply purposeful account of Falla's Harpsichord Concerto, with Maggie Cole confident at the keyboard.

INTERNATIONAL

ARTS GUIDE

■ ATHENS

Megaron Tonight: Katia Ricciarelli song recital. Tomorrow: Athens State Orchestra. Sat: Panayiotis Drakos flute recital. Sun: Maria Callas Grand Prix for Pianists (01-728 2333/01-722 5511)

■ BARCELONA

Palau de la Musica Tomorrow: Alfred Brendel piano recital. Tues: Pavel Kogan conducts Moscow Symphony Orchestra, with piano soloist Eliso Virsaladze. March 16, 17: John Eliot Gardiner conducts Orchestre Revolutionnaire et Romantique (268 1000)

■ BOLOGNA

Teatro Communale This month's recitalists are Uto Ughi (March 7), Cleveland Quartet (14), Krystian Zimerman (21) and Daedalus Ensemble (28). *Raina Kabaivanska* sings Emilia Marty in Luca Ronconi's Italian-language production of The Makropoulos Case, which receives seven performances between March 12 and 29 (051-529999)

■ FLORENCE

Teatro Communale Tomorrow and Sat evening, Sun afternoon: Zubin Mehta conducts orchestral works by Webern and Brahms, with violin soloist Midori (055-277 9236)

■ LONDON

THEATRE

● Peer Gynt: Japanese director Yukio Ninagawa tackles Ibsen's imaginative epic in an English-language version by Frank McGuiness, opening tonight and running till March 12. Michael Sheen heads an *international cast of over* 40 (Barbican 071-638 8891)

● The Kitchen: Stephen Daldry's magnificent revival of Arnold Wesker's 1959 *play about dishes* and dreams in a busy London restaurant (Royal Court 071-730 1745)

● *The Life of Galileo*: a new version of Brecht's masterpiece directed by Jonathan Kent, with Richard Griffiths in the title role (Almeida 071-359 4404)

● An Absolute Turkey: Felicity Kendall plays a harassed wife and Griff Rhys Jones a frantic bachelor in Peter Hall's *enjoyable production* of Feydeau's Le Dindon (Globe 071-494 5065)

● Cabaret: Sam Mendes' sell-out production of the *Kander and Ebb* musical set in pre-war Berlin, with Jana Horrocks as Sally Bowles (Donmar Warehouse 071-867 1150)

● Carousel: *Nicholas Hytner's* multi-award-winning National Theatre production of the Rodgers and Hammerstein musical (Shaftesbury 071-379 5399)

OPERA/DANCE

Covent Garden The Royal Opera celebrates Bernard Haitink's 65th birthday tomorrow with the first night of Trevor Nunn's new production of Katya Kabanova, with cast headed by Elena Prokina, Eva Randova and Keith Olsen (till March 25). Repertory also includes Rigoletto with Giorgio Zancanaro/ Alexandru Agache and Francisco Araiza/Jerry Hadley (till March 11). Un ballo in maschera is revived on March 12, and the Royal Ballet returns with Kenneth MacMillan's Mayerling on March 19 (071-240 1066)

Coliseum ENO has Jonathan Miller's *new production of Der* Rosenkavalier with Anne Evans and John Tomlinson (till March 16) and two revivals - Falstaff with Arwel Huw Morgan and Janice Cairns and Philips Prowse's staging of Bizet's Pearl Fishers (071-836 3161)

Sadler's Wells Adzido Pan African Ensemble, Britain's largest African dance company, is in residence tonight, tomorrow and Sat. March 7-12: Cristina Hoyos presents classic Spanish flamenco (071-278 8916)

CONCERTS

Barbican Tomorrow, Sat, Sun: *Michael Tilson Thomas conducts* London Symphony Orchestra and Chorus in concert performances of La boheme, with Barbara Frittoli, *Nancy Gustafson, Francisco Araiza* and Thomas Hampson. Mon: Danish Radio Big Band with Georgie Fame. Tues: Richard Hickox conducts LSO in Malcolm Arnold, Strauss, Mozart and Britten. Wed: John Lill 50th birthday concert with RPO. Next Thurs: concert performance of Verdi's Ernani. Next Fri: Harnoncourt conducts Chamber Orchestra of Europe. March 14, 17, 21: Jessye Norman (071-638 8891)

South Bank Centre Tomorrow: Simon Rattle conducts CBSO in works by Roy Harris, Bartok, Hindemith and Copland, with piano soloist Andras Schiff. Sun: Franz Welser-Möst conducts LPO in Haydn, Schumann and Elgar, with piano soloist *Mitsuko Uchida*. Mon: Ambache Chamber Orchestra plays Mozart and Fanny Mendelssohn. Tues: Goldsmiths Choral Union in Elgar's *The Dream of Gerontius*. Wed: Gerard Schwarz conducts London Mozart Players in Bartok, Mozart and Strauss. Next Fri: Andrew Davis conducts concert performance of Lulu (071-928 8800)

Wembley Arena Sat: Pavarotti sings Verdi's Requiem (081-900 1234)

Wigmore Hall March 6: New York Festival of Song. March 15: Kurt Ollmann. March 18: Kurt Streit. March 25: Roberta Alexander. March 27: Dmitri Hvorostovsky. March 29: Dawn Upshaw (071-935 2141)

■ MADRID

Auditorio Nacional de Musica Tonight: Italian Piano Quartet plays works by Brahms, Smetana and *others. Tomorrow, Sat, Sun: Antoni* Ros Marba conducts Spanish National Orchestra and Chorus in works by the Halffter family, with *violin soloist Victor Martin. Tues:* Madrid Classical Orchestra plays works by Mozart and Mendelssohn (01-337 0100)

■ MILAN

Teatro alla Scala Tonight: final performance of Puccini's La Rondine. Mon: Orchestra Filarmonica della Scala. Tues: Gabriele Ferro conducts first of eight performances of Pier Luigi Pizzi's Pesaro Festival production of Rossini's Maometto II, with cast headed by Bruce Ford, Cecilia Gasdia and Samuel Ramey (02-7200 3744)

■ NAPLES

Teatro San Carlo Tonight, Sun, Tues: Richard Bonynge conducts *Sandro Sequi's production of La* sonnambula, with Maria Dragoni and Gregory Kunde (081-797 2331)

Teatro delle Palme Tonight: Artis Quartet of Vienna. Next Wed: Emanuel Ax piano recital (081-406011)

■ PRAGUE

CONCERTS

● Vaclav Neumann conducts Czech Philharmonic Orchestra tonight at Dvorak Hall in music by Martinu, Dvorak and Kabelac (02-286 0111)

● *Jiri Tomasek conducts* Czech Radio Symphony Orchestra at Dvorak Hall on Tues in works by Stravinsky and Beethoven. Göran *Wilson conducts Prague Symphony* Orchestra next Wed at Smetana Hall in works by Grieg, Haydn, Sandström and Sibelius (02-232 2501)

OPERA

● A new production of Gounod's Roméo et Juliette opens tonight at the *National* Theatre, with *Livia* Aghova as Juliette. Oliver von Dohnanyi conducts a staging by Jozef Bednarik (02-205364)

● Estates Theatre has Don Giovanni on March 8, 25 and 29, Die Zauberflöte on March 21, 23 and 31, and Cimarosa's Il matrimonio segreto on March 27 (02-228658)

● Repertory at Prague State Opera includes Il trovatore, Rigoletto, Madama Butterfly and Nabucco. A new production of Hans Krasa's 1933 opera Verlobung im Traum opens on March 27 (02-265353)

■ ROME

Oratorio del Gonfalone Tonight: I Solisti del Madrigale in music by Lassus, Palestrina and others (06-687 5952)

Teatro Olimpico Tonight: Borciani Quartet, with pianist Bruno Canino, plays chamber music by Wolf, Haydn and Brahms (06-320 1752)

Teatro dell'Opera Tomorrow, Sun: Lucia di Lammermoor with Mariella Devia and Vincenzo La Scola (repeated March 8, 11, 15). Sat: Manon Lescaut. Programme subject to cancellation or change at short notice (06-481 7003)

Teatro Valle Sat: Barbara Hendricks song recital. Sun, next Tues and Thurs: Giuseppe Sinopoli conducts Orchestra dell'Accademia di Santa Cecilia in concert performances of Parsifal, with cast including René Kollo and Waltraud Meier (06-678 0742/06-6880 3794)

Universita La Sapienza Sat afternoon: Materassi Quartet plays string quartets by Britten, Wolf and Ravel (06-361 0051)

Teatro Il Sistina Sun morning: Emanuel Ax and Yoko Nozaki duo piano recital (06-5734 4664)

ARTS GUIDE

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Friday: Exhibitions Guide.

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Unfinished recipes of Russia's reformers

BOOK REVIEW

ECONOMIC TRANSFORMATION IN RUSSIA
Edited by Anders Aslund
Pinter Publishers, London.
£11.99 paperback, £37.50 hardback

It is fitting that the book which may be the first history of radical market reform in Russia has been edited by Anders Aslund, the Swedish economist who set out the challenge of reforming the old Soviet-command economy in *Gorbachev's Struggle for Economic Reform*, published in 1989.

But *Economic Transformation in Russio*, a collection of essays by radical Russian reformers and their western advisers, was not intended as a history book. It was meant to be a progress report on reforms that were, at the *time of* writing, being implemented.

Although most of its authors are no longer in power, it still provides pertinent answers to two questions being asked by western policymakers aod some Russian voters. First, was the comprehensive hut painful package of spending cuts, industrial restructuring and free market disciplines sought by the reformers before their election defeat in December the right policy for Russia? Second, what can the west do to help Russia persevere along a path to a market economy?

The only senior radical left in office, Anatoly Chubais, deputy prime minister, gives one important answer to the latter question: he warns that his programme for the mass privatisation of state-owned enterprises could fail unless the Group of Seven industrial nations pushes ahead with a promise to invest up to $4bn in *newly privatised companies*.

In an essay with his wife and fellow-economist, Maria Vishnevskaya, he writes: "The lack of actual capital inflow in 1994 may spell the failure of privatisation in Russia, because mass *bankruptcy* of privatised enterprises could undermine the hard-won confidence in privatisation for decades."

As to the first question, the theme that emerges from the book is that the policy was *basically right* but *serious* mistakes were made. in the event, the mistakes contributed to the downfall of the reformers. But Professor Jeffrey Sachs, the former Russian adviser and propouent of western financial support for reforms, argues strongly – and in the event presciently – against a gradualist approach such as that being embraced by Victor Chernomyrdin, Russian prime minister. Prof Sachs describes "confusions which are widely held among political elites" – including the notion, discredited by Romania's experience, that gradual reform can stop industrial decline.

If the radicals get a second chance to push for a western-backed package to stabilise inflation and the rouble, they could learn from the book's account of the mistakes made the first time round.

Despite supporting shock therapy, which would have shut down enterprises around the country, Andrei Illarionov, Chernomyrdin's former chief economist, and Professor Richard Layard of the London School of Economics, admit in a joint article that no preparations were made to prepare for a consequent rise in unemployment. "The effects of this ... rise could be extremely serious unless major training programmes are implemented, especially in market-orientated skills," they write.

Elsewhere in the book, Boris Fyodorov, former finance minister, recognises that his target of bringing monthly inflation down to less than 10 per cent by the end of last year was "over-*optimistic*". *The reasons* be cites include underestimating the need for subsidies to the northern territories, which comprise 56 of the Russian Federation's 89 provinces. But his recognition of the need to *find a new mechanism* for subsidising the north is an example of the vision of a reformer who achieved much in just one year in office.

Other Russian contributors dwell on the psychological obstacles *to reform. Irina* Boeva and Tatiana Dolgopiatova, who studied 10 plants, found only ooe manager who defined the survival of his enterprise as "having a solid, stable financial position, enabling it to avoid bankruptcy and to develop further". More typical was a manager, who still expects to be bailed out by the state, quoted as saying: "It's not that we have no money, it's just that we have no money in our bank account." It is clear, however, that a start has been made in pushing managers into more market-oriented behaviour.

"Practically all directors have understood the necessity of price competition" and "the importance of sales activities", say Boeva and Dolgopiatova.

It is typically Russian obstacles to reform – such as excessive bureaucracy and corruption – which lead Pyotr Aven, an ex-foreign trade minister, to *conclude in his* essay that the Russian economy "has to be more liberal than any other". A similar conclusion is reached by Vitaly Naishul, the arch-liberal Russian economist, who goes as far as to argue that the Russian state is so weak and incompetent that it must confine itself to the hare minimum of functions: law and order.

Aslund himself dwells on perhaps the most serious weakness which caused the Russian radicals to squander the opportunity to introduce stabilisation policies: inadequate political skills.

He says poor political judgment allowed them to persist under the illusion, widely held by economists, that elections are "time-consuming complications". in Russia's case, parliamentary elections were "a necessary preconditioo for breaking the power of the old elite and the industrial lobbies *in Russia", he writes.*

Optimists, like Fyodorov, have said it is only a matter of months before the radicals' policies are recognised as the only option for Russia. But Aslund predicts in the book *that*, in the event of an election backlash, "this indeterminate period could look as bad as Weimar Germany".

Such a backlash occurred on December 12. Without a return to political influence by the *book's* authors, *it is difficult* to see bow the detailed recipes for financial stabilisation it contains can ovoid a long spell on the history booksbelves.

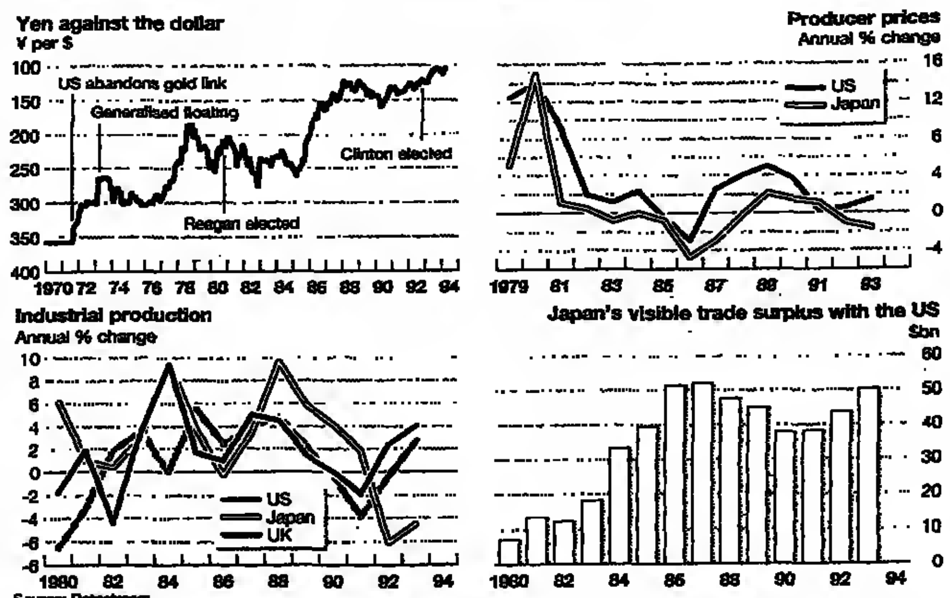
Leyla Boulton

ECONOMIC VIEWPOINT

Tragi-comedy of the rising yen

By Samuel Brittan

Yen appreciation and Japanese deflation



Source: Datastream

The last few days' shakeout in the financial markets bears the clear sign "Mada in the United States". It has been triggered by an overreaction to a couple of flash American economic indicators coupled with persistent reports tbat President Bill Clinton was about to grant authority for trade sanctions against Japan. The reaulting renewed upward pressure on the yen may indeed be more disturbing for the Japanese economy than any actual sanctions.

For two decades until the end of Bretton Woods in 1971 the dollar-yen exchange rate remained fixed within a narrow band around Y360 to the dollar. Trade imbalances were modest; Japan experianced double-digit growth rates; and trade barriers came down.

After President Nixon floated the dollar in 1971, the US currency plunged and the yen soared, at one stage reaching almost Y200 to the dollar. The dollar *recovery* in the early Reagan years in the first half of the 1980s turned out to be a blip. The yen began rising again and is now within a whisker of Y100 to the dollar.

A believer in the exchange rate approach to the balance of payments might expect that this three or fourfold rise in the yen over two decades would at least have killed off the Japanese trade surplua with the US. Yet in the course of the 1980s, this surplus has risen and now approaches $60bn per annum: an uncomfortable result for those who erroneously believe bilateral trade balances to be important.

There is never a conclusive answer to those who believa that the only reason why a medicina is killing the patiant is that he is not taking enough of it. US officials have often pressed still further revaluation on Japan and threatened to talk the dollar down.

Of course, it is impossible for either currency to move just against the other without affecting the exchange rates of third and fourth countries. But the Bundesbank, for instance, does not mind if American *pressure* for a *low dollar helps* to keep the D-Mark higher than it would otherwise be. For the moment, the action is in the US-Japanese relationship.

Judged by the standard not of GDP but of industrial production, *Japan's recession has* been tbe worst among the main industrial countries, with little sign of recovery so far. Indeed both the concentration of the Japanese output fall on the internationally exposed industrial sector and its dimensions are a strong reminder of the UK in the early 1980s. At that time the combination of the "Thatcher effect", North Sea oil and the second international oil price explosion produced a ferocious rise in the pound and consequent industrial shakeout which remain a folk memory in UK business.

Professor Ronald McKinnon *of Stanford has long been an* opponent of dollar depreciation; and the present state of the Japanese economy makes a new paper* of his specially timely. His argument is that the rising yen bas produced *deflationary pressures in the* true sense in Japanese wholesale prices. Consumer prices, which respond more sluggishly to economic forces, are rising at a minimalist 1 per cent per annum. Nominal short-term *interest rates could hardly fall* very much below their present 2¼ per cent level. But taken in conjunction with falling producer prices, the real rate of interest for even blue-chip Japanese borrowers must be at least 4¼ per cent.

Monocausality rarely works; and a sceptic could point to the experience of 1985-87 when a sharply rising yen and even severer producer price deflation did not preveot a vigorous recovery in the Japanese economy. A more modest diagnosis is that the high indebtedness left over from the recent domestic property bust and the *vulnerability of the financial* system make it more difficult for the economy to bounce hack in the face of falling prices than on other occasions.

McKinnon estimates the purchasing parity exchange rate to be about Y140-Y150 to the dollar, and he would like to make a start in moving towards this rate. But bow could the Bank of *Japan manage this? The* usual way that central banks ease policy is hy lowering short-term interest rates. If the Bank of Japan cannot go much further in reducing rates, what is left?

The main way, in these circumstances, to expand the money supply is hy official purchases of foreign exchange. In these circumstances, an *easy money policy would have* a double effect. The traded goods sector would be freed from deflation and real Japanese interest rates would for a time become negative.

Alas, in the present Washington *mood, a Japanese* effort to edge the yen downwards might be taken as an economic Pearl Harbour. if the Japanese seriously wanted to gain acceptance of a weaker yen, they would have to persuade the *Americans* that the *stimulative* effects of a monetary expansion combined with a lower yen exchange rate would more than offset the loss to the US on the direct price competitiveness front. I would not like to *undertake the task.*

Yet I would not despair of McKinnon having the last laugh. Tha present Japanese and American authorities have in common a desire to get back to some form of world exchange rate accord – if not a full Bretton Woods, at least of the informal kind that marked the Louvre and Plaza accords of 1985-87. The difference, of course, is that the Americans would like this stability around a high yen and the Japanese around a somewhat lower one. This is reminiscent of the period when James Baker was US secretary of the Treasury and always favoured stability provided that the dollar could be low cuough.

The Americans are, however, in a difficulty hecause they want *Japan* to stimulate its economy. Mooetary easing would involva a weaker yen. On the fiscal side, the Japanese goverument has announced endless packages to stimulate spending and cut taxes; hut so far with disappointing results. The orthodox view would be that the budget surplus that Japan runs in non-recession years needs to be cut and that the structural US budget deficit also needs to decline. The hope is that Japanese saving will thereby be reduced and US saving boosted.

Is this entirely rational? The Japanese structural hudget surplus represents the effort of a high-saving society to safeguard itself against the burden of an ageing population. It is quite rational for the Japanese to lend net sums to the US, which has a deficiency of savings except during periods of recession. At some time in the next century, the net flow of investment will reverse.

Meanwhile it really is on the monetary front that action will occur, if it does. The logjam might he broken hy soma chance events precipitating a rise in the dollar or fall in the yen persisting long enough for the US to see that it is not so damaging after all.

A US-Japanese Bretton Woods would present some delicate adjustment problems for Europe. If it made the European Community get its act together, so mucb the better.

But before we can bave a Japanese-American currency accord, the threat of an economic war between the two countries must be averted. Unfortunately, the massive investment that the US has made in public economic education bas not killed tbe crudest mercantilist fallacies about bilateral trade balances. indeed the "Austrian" critics of tbe US economics establishment, about wbom Michael Prowse wrote in tbe FT on Monday, may be understating their case.

**Dollor ond Yen, Asia-Pacific Research Centre, Stanford*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Insulting customers does not pay

From Mr Paul Graves.

Sir, I was dismayed when Malaysia adopted its "Buy British last" stance, but even more dismayed hy the tone of your editorial "False moves in Malaysia" (February 28) and some of the hroadsheet responses I read over the weekend.

As one who has worked extensively in Malaysia in the last two years, I am disappointed to find you still telling them "they'll be sorry in the end". Surely we must learn that if you insult customers – and, incidentally, suppliers these days – they have the right to take their custom elsewhere. The developed world is queueing up for Malaysian husiness – I wish I could see a similar queue at Britain's door.

We must learn – the press included – from the Japanese market approach of "Japan plc" when looking at global markets. Insulting customers, from whatever source, does not pay.

Paul Graves,
Sundridge Park
Corporate & Executive Development,
Bromley,
Kent BR1 3TP

We say 'No' to creeping Fringlish

From Jane Johnson nnd Linsey Mercer.

Sir, in response to David Buchan's article ("France says 'Non' to creeping Franglais", February 24), we feel duty bound to expose the French attempt to dominate the English language – as in Fringlish.

When dining at La Gavroche, we strenuously attempt to order only those dishes with purely Anglo Saxon names. But unfortunately, in place of the more acceptable "potatoes creamed with egg, piped into mounds and baked in a hot oven for 25 minutes" we find "Duchesse potato" more succinct.

And attempts to order "small pots of hurnt custard" in place of crème caramel would no doubt he met with forcible ejection from the premises.

Perhaps our own culture minister should describe risqué jokes as "audaciously bordering on the unsaemly", or enforce etymology on to tha school curriculum in place of history?

After all, who did win the Napoleonic wars?

Jane Johnson,
Linsey Mercer,
10 Bishopston,
Montacute,
Somerset TA15 6UU

From Mr Richard Thorogood.

Sir, With reference to "France says 'Non' to creeping Franglais" (February 24) – what is the French for "King Canute"?

Richard Thorogood,
Westfield,
College Avenue,
Maidenhead,
Berks SL6 6AR

Workaholic and proud of it

From Mr Nicholas Ward.

I read with interest John Raymond's plea for workaholism status (Letters: February 23). Like Mr Raymond, I claim that title; unlike Mr Raymond I *scored highly* in *your self-assessment* test. Indeed, I probably gain bonus points for taking time off on a "workaholic's holiday", a two-year MBA in the heart of workaholism land, New York.

However, it seems Mr Raymond's argument misses the point – if he limits his industrious efforts to "normal working hours" he must surely qualify only as a hard worker, not a workaholic. Someone who "only" drinks for the entirety of puh opening hours (even if they be from 11am to 11pm) is clearly exhihiting extremist tendencies. Perhaps using his "opening hours" analogy is a more accurate parallel than the "alcoholic" comparison.

Incidentally, after 18 months here, I have still to find a bar that serves that elusive liquor, workahol. Perhaps your readers could direct me.

Nicholas Ward,
Stern School of Business,
New York University,
New York, NY 10012,
US

Confusing the duties of the pensions custodian

From Mr Hugh Arthur.

Sir, Professor Julian Franks and Professor Stephen Schaefer (Personal View: "Safety net for pensions custodians", *February 24) suggest* that *the* answer to "the Maxwell problem" is to make custodians directly answerable to a pension fund's beneficiaries.

The picture which this conjures up, of custodians deciding whether a particular instruction from the trustees or the investment manager is prejudicial to the interests of the beneficiaries, is quite touching.

Instead of separating the custody and trusteeship roles, this solution confuses them.

Rather than limit the compensation scheme to apply where the costodians have defaulted on their quasi-trustee role, would it not accord witb Franks-Schaefer logic to maka it a *legal* obligation *that* custodians did not hold the assets at all, hut that they were held by sub-custodians (who would hold a duty of care, and so on)?

The huck must stop somewhere, and all that the Franks-Schaefer solution does is to pass it on. Whether or not would-be custodians will ba queueing up to assuma these additional duties and responsibilities is another matter.

Hugh Arthur,
Biddle & Co,
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All in the national interest?

From Mr Yannis S Costopoulos.

Sir, With reference to your articla "Greek disgrace" (Editorial commant: February 18), imagine, for a moment, that the UK is not an island.

Imagine also the neighbouring non-ethnic state, in search of an identity calls itself Scotland, uses tbe St Andrew's Cross on its flag and, in a preamhle to its constitution, states that the *unification* of the Scottish peoples is a national goal. Add to all this racial and religious differences and try to swallow national interest in favour of community convention and solidarity.

Yannis S Costopoulos,
40 Stadiou Street,
102 52 Athens, Greece

Income dispersion is the key, not income inequality

From Mr James Sproule.

Sir, The third of your excellent series oo "Can Europe Compete" (February 28) raises some interesting questions.

You title one of your graphs "... wage ioequality grows much faster in the US and UK ..." This contains an implicit bias. No one is in favour of inequality, but your caption seems to imply equality of outcome to be the goal, rather than equality of opportunity.

As a recent OECD report has noted (Employment Outlook, June 1993): "There is a general increase in the proportion of the workforce with higher levels of education, and a relative increase in the earnings of highly educated workars." The OECD goes on to note that, rather than imply any political favouritism, it uses the term "incoma dispersion", rather than "income inequality". This view has also been supported by The Economist, whicb notes that further controls on wages (for nothing else will make incomes more "equal") will bave the same effect as the plathora of controls already in place, namely further unemployment.

You correctly point to better education as the key. But the choice we face is a simple one: do we want people in low-paid jobs while they try to increase their level of skills so as to be able to earn higher wages? Or would we prefer them to be on a government training scheme, drawing the dole, while acquiring the skills necessary to be constructively employed in today's market place?

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Thursday March 3 1994

Message of the markets

Bond markets have taken fright. But the slide in bond prices is only in part a response to changes in the fundamentals. It is also a technical correction after a long bull market. The question now is how the monetary authories will – and should – respond to the adjustment, which has pushed the yield on US long-dated bonds up one percentage point since the trough in October. UK gilt yields have also risen by a percentage point since late December and even those on German bunds are up 0.7 percentage points since the beginning of January.

At a time of increasing nervousness, markets tend to respond wildly to each new statistic. On Tuesday, it was the unexpected strength in the price index of the US Purchasing Managers monthly survey and news that US gross domestic product in the final quarter of last year grew at an annualised rate of 7.5 per cent. Yesterday, it was the turn of German money supply: the annualised increase in M3 of 20.6 per cent above the average for the last three months of 1993 sent shivers through the market.

The figure is freakish. Nonetheless, it exacerbates the dilemma already confronting tha Bundesbank, which has invested a lot of credibility in its 4-6 per cent target for M3 growth. The case for some such target is strong. The government, investors and wage bargainers all need clear guidance about the Bundesbank's intentions. But this advantage comes to naught if the failure to achieve the target has constantly to be explained away. It is particularly embarrassing when the Bundesbank feels forced to cut the short-term rate of interest even though its money supply target is overshooting.

Yet that is exactly what it has had to do, however slowly and unwillingly. M3 seems to have been distorted, now by one thing, now by another, ever since unification. As for the astounding January figure, the annualised rate in the first month of a new year is inevitably volatile. In addition, the figure has been distorted by several special factors.

The Bundesbank must now decide whether the persistent M3 overshooting is a warning of future inflation or a false alarm. Certainly, the real economy is not showing any sign of overheating. This being so, the Bundesbank will presumably ignore the latest rise. But its desire to postpone further easing until it has more information may be strengthened.

A strong additional reason for caution, from the Bundesbank's perspective, is what has happened to bonds. The Bundesbank tends to pay particular attention to long-term rates of interest because of their relatively large role in German intermediation. But it will not be the only central bank to respond with caution. Even if part of the reason for rising bond yields is technical, part at least must be related to economic fundamentals. Cutting short-term rates in the teeth of such a shift in expectations could lead to a further flight from bonds, with damaging consequences, not least for German economic recovery.

If a central bank is to cut interest rates in the face of rising long-term rates, it must be confident that its relative optimism over inflation will prove justified by events. Since they can no longer be so sure, central banks must be more cautious than they would otherwise have been. They should at least wait for the bond markets to settle down once more. For the moment, therefore, the right action in the main financial centres seems to be none. But it is too early to conclude that the trend towards lower short-term rates in continental Europe and the UK is at an end.

Euro-babble

Mr Joãn de Deus Pinheiro, the European Union's culture and information commissioner, says Europe needs a flourishing film industry to encourage diversity in audio-visual entertainment. Few would disagree. Howaver, his ideas for achieving that goal are so wide of the mark that he should tear up his script.

He wants the EU to end a five-year exemption from competition law which allows big Hollywood studios to distribute films jointly in Europe. Ha also appears to favour stricter quotas on the broadcasting of foreign programmes. That, he says, will enable Europe's film and television industry to counter domination by Hollywood.

When reviewing the distribution exemption, the commission's overriding concern should be whether it benefits consumers. To champion the cause of local producers, as Mr Pinheiro suggests, would be to pervert competition law. Tightening broadcasting quotas, meanwhile, would further compromise free trade principles while extending an objectionable attempt at censorship.

The danger is that Mr Pinheiro's approach would gratuitously provoke the US, which unsuccessfully sought to liberalise audio-visual services in the Uruguay Round trade talks, without helping European programme producers. As he admits, their problems stem largely from an inability to make material viewers want to watch. In any case, any protection quotas might provide would rapidly be undermined by communications technology. Unless Mr Pinheiro can offer a better answer than blaming Europe's failures on others' success, he should shut up.

Wider Europe

Enlargement of the European Union to the east and the north has come closer after Tuesday's accord in Brussels on entry terms for Sweden, Finland and Austria. The deals still have to be approved by the European parliament and by national referendums later this year. Whether or not agreement can be reached for Norway, the fourth applicant from the European Free Trade Association, will depend on next week's haggling over fishing rights. If these four states join on January 1 1995, the Union's population and gross domestic product will increase respectively by 7.5 per cent and 9.5 per cent, but its gains in economic resources and political values will be greater.

These small but wealthy economies will bring net contributions to the EU's budget. More important, the new members will spread the Union's commitment to liberal democracy to the borders of the former communist bloc, preparing the ground for the crucial next stage of enlargement towards central and east Europe.

The Efta applicants, already part of the free trade arrangements of the European Economic Area, want EU membership to gain a political stake in Europe's development. However, in view of their electorates' scepticism about the benefits, entry comes with a price tag. Reflecting this week's agreements to offset the impact of reductions in Efta farm prices, the newcomers' budgetary contributions will be phased in, and even by 1998 will be around Ecu2bn less than earlier foreseen. This act of compensation requires creative adjustment to EU financing rules. Yet, provided these concessions secure Yes votes in the referendums, the price will be worth paying.

Tuesday's agreement does, however, raise larger questions about the mnch greater amounts of money at stake in the next phase of enlargement. The German government can be expected to make extending membership to Hungary, the Czech republic and Poland a centrepiece of its six-month presidency of the Union that starts in July. Further enlargement, perhaps by the year 2000, is highly desirable for political reasons. But the accession of members with, at present, GDP per capita of less than 30 per cent of the EU average cannot be contemplated without large changes in financial mechanisms governing agricultural support and structural fund payments to poorer regions.

Prof Richard Baldwin, in a book to be presented at the Centre for Economic Policy Research in London next month, calculates that, on unchanged policies, membership by the most advanced eastern European economies would add a net Ecu58bn to the EU budget by 1999. This would require a 60 per cent increase in 1999 budget contributions – a condition that could be met neither by Germany, the largest contributor to the EU, which is already complaining about its rising net payments, nor by Britain or France, tha other two main net contributors.

To increase the effectiveness of decision-making among a larger membership, the EU needs to push through institutional changes that go beyond the modest adjustments in voting procedures currently under discussion in Brussels. However, assembling a majority for cuts in the EU's budgetary largesse for present beneficiaries from 1999 onwards may prove impossible, in view of the strong vested interests of farmers and the poorer southern countries. The road to a wider Europe is now open. Yet, if the destination is to be reached, the EU must find answers to questions of institutional and financial reform that so far have barely been raised.

Expensive treat for a poor relation

Major's trip to the US eased tensions, but shifts in the relationship are apparent, writes **Philip Stephens**

Forget the cosy dinner in a Pittsburgh restaurant, the night spent in the Lincoln suite at the White House and the ride on Air Force One. Mr Bill Clinton played the gracious host in Washington this week. Mr John Major was an appreciative guest. But a series of photo-opportunities does not add up to a special relationship.

That is not to say that the trip was a failure. Mr Major returned to London yesterday confident that it had taken much of the recent chill out of Anglo-American relations. The trip to Pittsburgh – home for a time of Mr Major's father and grandfather – was a corny but friendly gesture.

So, too, was the invitation to the prime minister to return to Washington on the presidential jet before becoming the first British leader since Winston Churchill to spend a night at the White House.

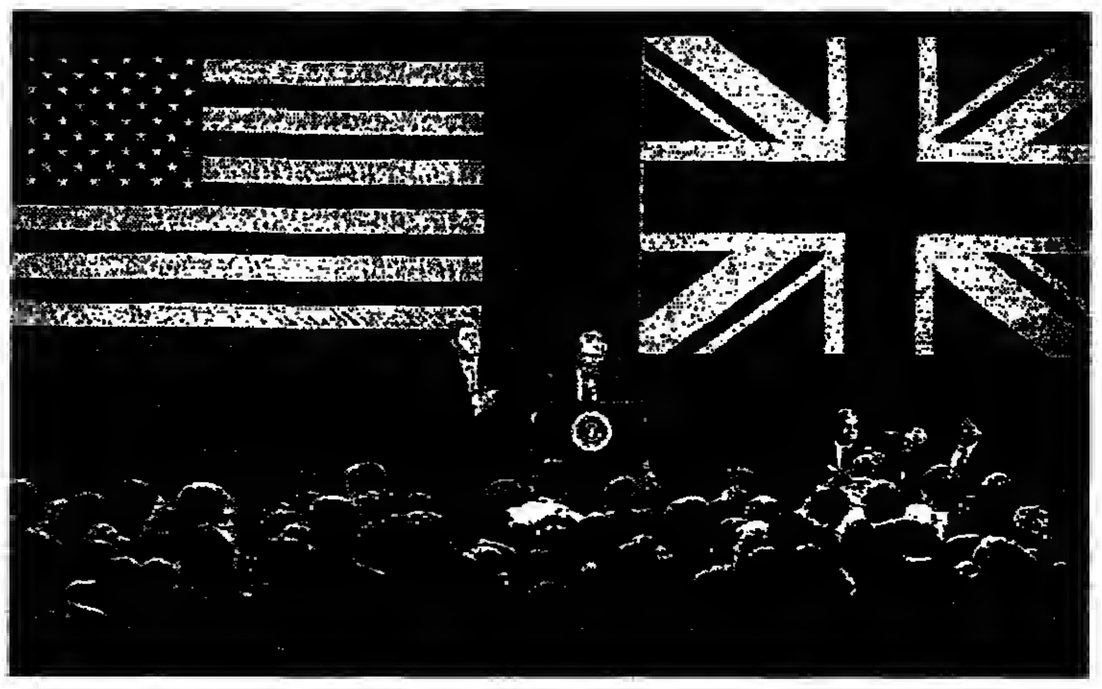
The US president was magnanimous also in his public comments. The phrase "special relationship" never passed his lips. But at every opportunity he stressed that disputes over Bosnia and Northern Ireland had not undermined the solidity of ties with London.

The relaxed format of the visit eased some of the personal tension between the two. If Mr Clinton is still irritated by the overt Conservative support for former president George Bush in the elections, he does not show it. That unfortunate episode is, in the words of one US official, "dead and buried".

The whole event, though, looked staged. Good friends do not have to go to elaborate lengths to prove it. The prime minister's aides – continually emphasising the special treatment he was receiving – fell into the trap of mistaking form for substance.

For the UK journalists shadowing the two leaders, this was often embarrassing. Mr Clinton appeared as the wealthy relative indulging a less fortunate cousin with an expensive treat. Britain may still be a special relation. It is also a poor one.

The US media treated Mr Major's appearance with casual indifference. They did not, though, miss the happy coincidence that the Pittsburgh photocalls allowed the president to do some useful campaigning for Democrat candidates in the mid-term congressional elections. The most graphic image of the trip was that of Mr Clinton's brand new Boeing 747 towering on the tarmac over Mr Major's tiny, antiquated VC10. British prime ministers do not necessarily prove they have a strong voice in Washington by travelling on Air Force One.



Flying the flag: photo-opportunities for Bill Clinton and John Major do not add up to a special relationship
AP

The substantive policy discussions the two leaders slotted in around the interminable photographs provided the British side with greater cause for satisfaction.

The real poison in Anglo-American relations over the past year has been the two governments' differences over Bosnia rather than the awkward juxtaposition of a Democrat at the White House and a Conservative in Downing Street. Britain's consistent opposition to stronger western military intervention in the conflict and to increased support for the Bosnian Moslems has infuriated the US.

The combination of last month's successful Nato ultimatum in ending the Serbian siege of Sarajevo and this week's visit has provided a partial antidote.

Mr Major has accepted a more muscular stance by the United Natinns forces on the ground to extend the success in Sarajevo to other beleaguered cities. Mr Clinton, with some success already, has raised the profile of the US in brokering a political deal between the warring Croats and Moslems, hoping the Serbs will fall into line.

If this strategy fails, differences could well re-emerge. The president made it clear that in advance of an overall settlement he remains opposed to committing US ground troops to Bosnia. The UK prime minister did not press the opposite case only because he knew in advance that the answer would be no.

But for the time being Mr Major was confident enough to declare: "I think there is no doubt that we see the problems of Bosnia very much in the same light. Our policy is heading exactly in the same direction."

The trip also allowed a line to be drawn under last month's row over Northern Ireland. Mr Clinton did not apologise for allowing Mr Gerry Adams, the leader of Sinn Féin and an apologist for the IRA's campaign of violence, to visit the US. But he did go out of his way to emphasise US support for last December's Anglo-Irish initiative as the only basis for a political solution to the violence in the province.

In their private discussions Mr Clinton made it clear he would not allow Mr Adams another propaganda coup unless and until the Sinn Féin leader had renounced violence.

The president and prime minister were also on common ground over Russia. Both have visited Moscow in the past two months. Both are now wary of investing too much of their own political capital in the personal success of Mr Boris Yeltsin, Russia's president.

But they agree that the west must continue to support the reform process and to buttress Mr Yeltsin's credibility by encouraging greater Russian involvement in Nato and the Group of Seven leading industrial nations. Standing on the White House lawn, Mr Clinton promised "tangible" evidence of a much stronger partnership by the middle of this year. Mr Major nodded assent.

Both men ticked off a range of other areas where the views of Washington and London coincide. They will press jointly for faster implementation of last year's Uruguay Round world trade accord. They sent a joint message to Chief Mangosuthu Buthelezi, the leader of South Africa's Inkatha movement, successfully urging his participation in the country's first free elections. Mr Clinton offered important public support for Britain's plans to introduce greater democracy in Hong Kong before the colony's transfer to China in 1997.

The list allowed the president to reaffirm "the importance of our enduring partnership". And to add: "We must continue to build on it – economically, politically, strategically." Mr Major stressed their shared instincts and interests on virtually every significant foreign policy issue confronting the west.

This analyis could not be faulted as far as it went. But it was a superficial assessment. Neither the glitz nor the substance of this week's public reconciliation addressed a much more fundamental shift. Mr Clinton felt no need to. Mr Major could not afford to.

The awkward truth is that the ending of the cold war, the move towards a more integrated Europe, and Washington's preoccupation with the economic power of Japan and south-east Asia have changed the framework of the relationship.

Britain has long been a junior partner – despite the illusion of equality generated briefly by Lady Thatcher's close friendship during the 1980s with Presidents Reagan and Bush. The decisive shift in the 1990s has come from the ending of the strategic threat to western security from the former Soviet bloc.

The US no longer needs Britain as its first line of defence against a potential attack from a powerful communist aggressor. It is running down the US air bases in the UK which provided the most powerful symbol – and the real substance – of the special relationship. It is looking to the Pacific for its economic future and, increasingly, to Germany and France as much as to Britain to provide for the security of Europe. Mr Major can claim to remain a solid ally but there is no longer anything special about that.

Albania and Macedonia's war of words could lead to another Balkan tragedy, says **Edward Mortimer**

Southern discomfort

The war in Slovenia lasted a week. Eight Slovenes were killed. The war in Croatia lasted six months, and killed an estimated 20,000. The war in Bosnia-Hercegovina has lasted two years and killed 200,000. Each time, while governments focused on ending one war, they failed to take action which might have averted a worse one further south.

Now, while the US has persuaded Bosnian Croats and Moslems to sign a federation agreement, and Russia is trying to coax the Bosnian Serbs into line, an even more dangerous conflict is brewing in the former Yugoslav republic of Macedonia.

Macedonia, now recognised under the provisional name of "Fyrom" in deference to Greek sensibilities, has been subjected in the past fortnight to a Greek blockade.

On February 16 Greece closed the frontier to goods traffic, denying landlocked Macedonia the use of the Aegean port of Thessaloniki, which had become its lifeline. Two days later Albania offered Macedonia the use of the Adriatic port of Durres. Despite this gesture, Macedonia probably faces a greater danger of war with Albania than it does with Greece. Within Macedonia relations between the Slav majority and the ethnic Albanian minority have been deteriorating rapidly.

Just how large a proportion of Macedonia's population the ethnic Albanians form is a sensitive question. Albanian estimates of 40 per cent are probably exaggerated if applied to the population as a whole, but may not be far out for the younger generation. The mainly Moslem Albanians have a higher birth rate than the Orthodox Slav Macedonian majority, who fear that they will soon be outnumbered.

In the west of Macedonia, bordering on Albania, ethnic Albanians already form a 70 per cent majority. Two years ago they voted for political and territorial autonomy, but the government of Macedonia declared the referendum illegal.

Until now Albanian political parties in Macedonia have not tried to insist on autonomy. They are represented in Macedonia's coalition government but, according to one of their leaders, Mahi Nesimi, "Macedonian parliamentarians, whether or not they belong to the coalition parties, are uniformly tough in opposing Albanian demands".

Last month the leading Albanian party in Macedonia, the party of Democratic Prosperity, split. The moderate PDP leadership, including ministers and MPs, walked out. The majority then elected a new leadership dominated by Mendu Thaci, a 28-year-old radical who has warned that Albanians could secede from Macedonia if they are not recognised as a "constituent nation".

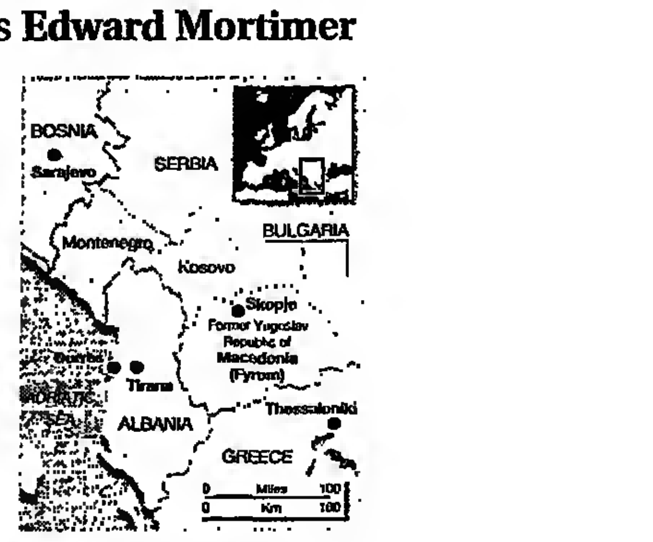
This development was hailed with enthusiasm by the state-controlled television in Albania. The media there have also been heaping scorn on Ibrahim Rugova, leader of the Albanian majority in neighbouring Kosovo, the formerly autonomous province now under Serbian control. In an unofficial referendum in 1991, the Albanians of Kosovo (85 per cent of the population) voted overwhelmingly for independence, but Mr Rugova has restrained them from attempting violent resistance against the Serbian authorities. Once backed by Albania, he is now attacked by the press in Albania as an appeaser.

Albanians, like Serbs, see themselves as a fragmented nation. The borders of the Albanian state fixed in 1913 left half of them outside it. Today there are about 3m in Albania; 2m in Kosovo; 400,000-800,000 in Macedonia; 100,000 in Montenegro and southern Serbia; and an unknown number in Greece. There is as yet little evidence that they are seeking to reunite in a "greater Albania" but, according to an article by Mr Nesimi in the current issue of *Balkan War Report*, the Albanian state "must aggressively support the interests of Albanians in Kosovo, Macedonia and elsewhere in the region".

President Salih Berisha of Albania, emboldened by a defence agreement with the US signed last October and by Nato's new-found willingness to use force against the Serbs in Bosnia, seems increasingly inclined to respond to such appeals. He is encouraging more radical leaders in Kosovo and Macedonia, and violence could break out in either place at any moment.

If violence does break out, it is certain to escalate. In Kosovo, the Serbs would respond with "ethnic cleansing". In Macedonia, a leader of the main opposition party, the Internal Macedonian Revolutionary Organisation, has warned that "if the Albanians tried to get anything by force, there would be a much more horrible war than any there has been yet in Yugoslavia".

Skopje, Macedonia's capital, is an ethnically divided city. It has a Serb minority whose grievances Belgrade has been fanning. Macedonia was once known as "southern Serbia",



and Serbs would probably seek to reannex it if it appeared to be collapsing in ethnic war.

Unlike previous wars, this potential conflict could not be contained within the former Yugoslavia. Bulgaria recognises Macedonia as a state, but regards its Slav inhabitants as part of the Bulgarian nation and would be under great pressure to intervene on their side; Turkey would be equally tempted to come to the aid of the Albanians.

This nightmare scenario is not yet inevitable. It may even seem far-fetched. But so did the horrors further north, until they happened.

OBSERVER

Sheriff Soros hits town

■ Pure coincidence, we assure you, but international financier George Soros just happened to be in Bonn yesterday when the Bundesbank's latest money supply figures sent the financial markets into convulsions.

In fact Mr Midas thought silence was golden, at least about his position in the shaky markets: "There is a lot of instability in the financial markets . . . I would prefer not to reinforce the turmoil."

Gee, thanks George. On threats by central banks to investigate and clip the wings of hedge funds like his own, he was positively angelic: "It behoves the regulators to regulate . . . we are ready to co-operate with them." How sweet.

Soros was actually in town to finger-wag about instability in eastern Europe and the threat of turmoil on Bosnian lines in neighbouring Macedonia.

His Soros Foundations are heavily involved throughout the region, promoting open societies and market economies.

Soros describes Macedonia as "the only multi-ethnic state left in the Balkans". He has already lent it $25m.

So is he a Robin Hood type, reaping riches from the west in order to feed bankrupt economies in the east? "I don't think that I am really a Robin Hood . . . my shareholders are not exactly poor people."

Narcissus speaks

■ Ian Lang, Scottish secretary, hit nails on heads yesterday at a parliamentary press gallery lunch. Discussing the paradox of love-hate relationships, he gave as an example that existing between politicians and hacks: "We love ourselves – you hate us."

Publicis Albion

■ The English claim to have invented fair play. No-one's fooled by that old chestnut, however, least of all the French, it seems.

"Chanteclair", a pseudonymous French author, reckons that British notions of fair play are risible. In practice, it's claimed, the idea is for export only, designed to weaken and humiliate the opposition.

Chanteclair's new book, *Pour en finir avec l'Anglais* (roughly translated as "To have done with English"), dishes out abuse, depicting the English as the "dirtiest", "beastliest" and "most hypocritical" of nations. It's gone down a storm – in France.

Well, how's this for fair play, old chap. The London Tourist Board is spending £30m over the next three years on an advertising campaign promoting the capital to British, American, Japanese and continental European tourists.

'I'm here because of something Nicholas Lyell told me to do'

British-owned advertising agencies Saatchi & Saatchi and Ogilvy & Mather – presumably having played as fair as advertising agencies do in this sort of thing – were pipped at the post by none other than Publicis – one of France's leading advertising groups. *Pour encourager les autres*, presumably.

Portillo protests

■ What did Michael Portillo say at Eton? The chief secretary to the Treasury still seems to be having trouble shaking off his unfortunate "corrupt foreigners" gaffe, made over a month ago.

Efforts to wipe the slate clean by apologising were spoilt by the revelation that he had made the same remarks not once but twice, at Eton and then more publicly later at Southampton.

Hence, when challenged by a Dutch journalist at the Foreign Press Association yesterday, he was quick to set the record straight. Portillo noted that an Eton master had written to the Evening Standard to confirm his version of the events.

But when Observer contacted the Standard last night no one could find the letter. Typical.

King Huhne

■ Another rat deserting the sinking ship? Definitely not, says Chris Huhne, 39, The Independent's business editor, who's off to join Robin Monro-Davis' IBCA, the fast-growing European rating agency.

Having worked on the The Guardian and The Economist and tried to get into politics – he stood unsuccessfully as an SDP candidate against John Patten – he's going to try his hand at rating sovereign debt.

Up to now, IBCA has prospered as a niche rating agency. But Huhne's arrival signals that it wants to compete head on with the big boys – Moody's and Standard & Poor's. An old pal of Lord Lever – they co-authored *Debt and danger* – Huhne is fascinated by emerging markets. So's everybody else these days, but at least he's taken a proper job, unlike most City editors who end up in financial pr.

We like sheep

■ Observer is more or less inured to the stream of notices that land on the desk detailing movements of sundry herds of City analysts/salesmen/traders – swapping one employer for another more generous with the lolly or the titles, or both.

But a team of IT people, for heaven's sake? They are only glorified electricians.

However, Nomura's pr machine felt moved to issue a release earlier this week announcing: "Nomura captures systems team from CSFB".

Should the cleaners or the tea ladies decide on a change of scene, please, please leave our name off the publicity list.

Captain Scarlett

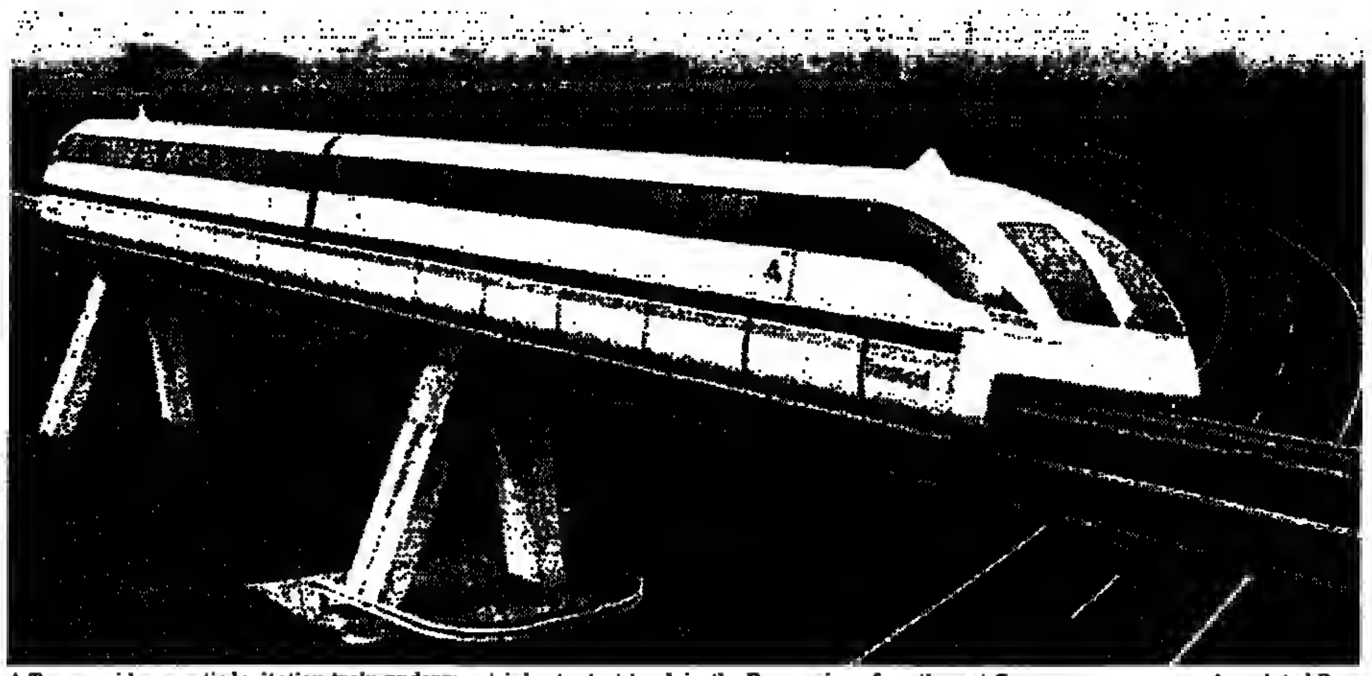
■ True story.

A British army officer finishing his training was more than a little peeved to find written on his Sandhurst assessment: "His men only follow him out of idle curiosity."

Clearly cut out for intelligence work.

FINANCIAL TIMES

Thursday March 3 1994



A Transrapid magnetic-levitation train undergoes trials at a test track in the Ems region of north-west Germany — Associated Press

Go-ahead for Transrapid rail plan

Germany to construct first commercial magnetic-levitation train

By Quentin Peel in Bonn

The German government yesterday approved construction of the world's first commercial magnetic-levitation train - nicknamed the "whispering arrow" - to run from Berlin to Hamburg at up to 400 kilometres an hour.

It is intended to cut the travelling time between the two cities from the present 3¼ hours to less than an hour, and give German industry a big technological advantage in the world market for high speed rail travel.

The Transrapid project won the unanimous approval of the German cabinet yesterday, in spite of a rising tide of protest on environmental and financial grounds. It could still face a big battle for parliamentary approval, because the opposition Social Democratic party (SPD) announced yesterday that it wants the new system drastically scaled down.

The project will cost an estimated DM8.9bn ($5bn) in a public-private joint venture, with the federal government building the DM5.6bn monorail system.

A private consortium, involving AEG, Siemens and Thyssen Industrie, the three initial project partners, as well as Lufthansa, the national airline, and the German railways, will borrow DM3.3bn to set up the operating company.

Mr Matthias Wissmann, transport minister, said the plan would give Germany a clear technological advantage over its international rivals in Japan and the US.

"We will not allow ourselves to be overtaken in this. Germany urgently needs economic and technological symbols like the Transrapid. We cannot allow it to happen - as so often in the past - that technology developed in Germany is undermined by the doubters in the republic," he said.

Environmental groups have criticised the system as intrusive and far from silent, urging the government instead to develop traditional rail technology.

Transport analysts have argued that the passenger forecasts of up to 14.5m a year - eight times the present number travelling by rail between Berlin and Hamburg - are grossly optimistic.

Mr Wissmann yesterday dismissed the doubters, saying that the project would create 10,000 new jobs. He insisted that the state was not providing any financial guarantees to the private sector investors. "The state will only be responsible for the tracks," he said.

The trains are intended to run every 10 minutes between the two cities, and would be held magnetically on a cushion of air above the monorail, and making less noise than a Volkswagen minibus, so supporters say.

Serb leaders warn of violence

By Laura Silber in Belgrade

Serb leaders warned yesterday that the preliminary agreement to form a federation reached by Bosnia's Croats and Moslems in Washington could lead to fresh violence in former Yugoslavia.

They suggested that the US was restoring the Moslem-Croat coalition in order to step up pressure on the Serbs, and stressed that the central question of territorial division among the three sides remained unresolved.

Mr Momcilo Krajisnik, speaker of the Bosnian Serb assembly, said while in Moscow with the Bosnian Serb leadership: "We perceive the agreement as an action against the Serbian people. It is incomprehensible to form such an artificial creation which cannot last."

He warned that "ultimatums, pressure and threats will not force the Serbs to make any more concessions".

Mr Radovan Karadzic, Bosnian Serb leader, told a news conference in Moscow: "We welcome this agreement if America helps Moslems and Croats move towards peace. But if it helps them to put pressure on Serbs and to gain more territory from them we are against it."

The leadership in Belgrade appeared more restrained, although Mr Vladislav Jovanovic, Serbian foreign minister, warned that the US initiative for Bosnian Croats and Moslems to form a federation and then join Croatia in a confederation could lead to a "further escalation of crisis".

By contrast, Mr Franjo Tudjman, Croatia's president, welcomed the agreement "which paved the way for resolving Croatia's troubles, but most of all the UNPA zones" (Serb-held areas of Croatia under United Nations supervision).

However, UN officials said yesterday Mr Tudjman had not given up his plans of creating a Greater Croatia incorporating large parts of northern, central and western Bosnia-Hercegovina.

Bosnian accord could destroy itself, Page 2

Tunnellers set to bid for alpine link

Continued from Page 1

estimate. Its construction, however, is considered to have been highly successful.

A presentation to the minister, Mr Adolf Ogi, and senior Swiss transport officials has been arranged in London by Mr Richard Needham, British trade minister. He wants UK companies to take advantage of the successful construction of the Channel tunnel to capture work on large transport projects overseas.

The presentation to Mr Ogi and senior Swiss transport officials will be led by Mr Haro Bedelian, chief executive of Transmanche Link, the Anglo-French consortium which built the tunnel. Mr Bedelian will represent the five British members of Transmanche Link: Balfour Beatty, Costain, Tarmac, Taylor Woodrow and Wimpey.

Mr Ogi will later meet British executives of Eurotunnel, the Channel tunnel operator, to discuss the problems of privately financing and managing large construction projects.

Hurd admits UK aid-arms sales link

Continued from Page 1

government had not continued to conduct the same policy by different means. Mr Hurd said the two policies were pursued separately, although in parallel.

Mr Hurd appeared to blame Lord Younger for the "incorrect entanglement" of aid and arms between March and June 1988.

Mr Hurd said the defence secretary had "pursued it with great energy", although Lord Younger had failed to clear the protocol with any other government department or minister. He added: "The Foreign Office was not consulted before the protocol was signed."

Mr David Sumberg, a Conservative member of the committee, described the original decision to link arms with aid without referring back to any other department as an "extraordinary state of affairs".

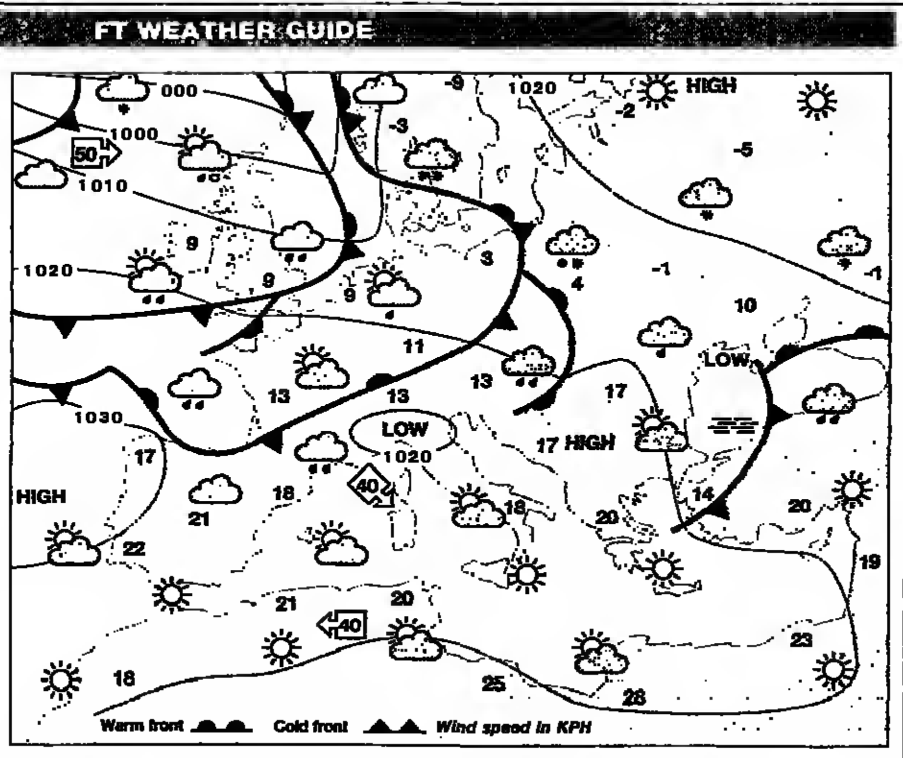
FT WEATHER GUIDE

Europe today

High pressure over northern Europe will move to the CIS. Scandinavia will be affected by low pressure producing cloud and snow in the south-west as temperatures rise slowly to more seasonal levels. Western and central Europe will be unsettled. The Benelux, France and Germany will have sunny spells mixed with showers, especially during the afternoon. Wintry showers are expected over northern Britain. The Alps will be mainly cloudy with snow arriving from the west above 1,500 meters. Poland and the north-west Balkans will have rain. The Mediterranean will continue sunny and dry with comfortable temperatures.

Five-day forecast

Scandinavia will stay unsettled with wintry showers from the Atlantic. High pressure over south-western Europe will extend over western, central and eventually eastern Europe bringing temporarily drier conditions and sunny intervals on Friday and Saturday. Low pressure will influence south-eastern Europe during the weekend but the south-west of the continent will continue settled and warm.



Situation at 12 GMT Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Belfast	hail	7	Cardiff	shower	9	Frankfurt	fair	12	Malta	sun	20	Rio	shower	27
		Celsius	Belgrade	fair	15	Chicago	fair	7	Geneva	cloudy	13	Manchester	shower	9	Riyadh	sun	25
Abu Dhabi	fair	28	Berlin	cloudy	9	Cologne	shower	12	Gibraltar	sun	19	Manila	fair	31	Rome	fair	16
Accra	thund	31	Bermuda	fair	23	D' Salaam	shower	31	Glasgow	hail	7	Melbourne	fair	21	S. Frsco	cloudy	19
Algiers	sun	21	Bogota	fair	20	Dakar	fair	35	Hamburg	shower	7	Mexico City	sun	24	Seoul	shower	9
Amsterdam	shower	9	Bombay	sun	34	Dallas	sun	23	Helsinki	cloudy	-8	Miami	fair	21	Singapore	shower	31
Athens	sun	20	Brussels	shower	11	Delhi	sun	28	Hong Kong	fair	18	Milan	fair	14	Stockholm	snow	-2
B. Aires	fair	28	Budapest	cloudy	12	Dubai	sun	25	Honolulu	shower	25	Montreal	snow	1	Strasbourg	rain	13
B.ham	shower	10	C.hagen	rain	5	Dublin	shower	9	Istanbul	cloudy	13	Moscow	fair	-1	Sydney	fair	25
Bangkok	fair	34	Cairo	sun	23	Dubrovnik	fair	17	Jersey	shower	9	Munich	rain	10	Tangier	sun	19
Barcelona	fair	19	Cape Town	fair	23	Edinburgh	shower	7	Karachi	sun	32	Nairobi	fair	27	Tel Aviv	sun	21
Beijing	sun	9	Caracas	fair	29	Faro	sun	20	Kuwait	sun	26	Naples	sun	19	Tokyo	rain	10
									L. Angeles	fair	23	Nassau	fair	26	Toronto	cloudy	2
									Las Palmas	fair	21	New York	snow	0	Tunis	sun	20
									Lima	fair	25	Nice	fair	19	Vancouver	rain	12
									Lisbon	fair	20	Nicosia	sun	19	Venice	fair	14
									London	fair	11	Oslo	snow	-4	Vienna	cloudy	11
									Lux.bourg	shower	11	Paris	fair	13	Warsaw	rain	4
									Lyon	cloudy	15	Perth	sun	32	Washington	shower	5
									Madeira	fair	19	Prague	cloudy	11	Wellington	shower	17
									Madrid	fair	21	Rangoon	fair	33	Winnipeg	fair	5
									Majorca	fair	20	Reykjavik	snow	1	Zurich	rain	12

THE LEX COLUMN

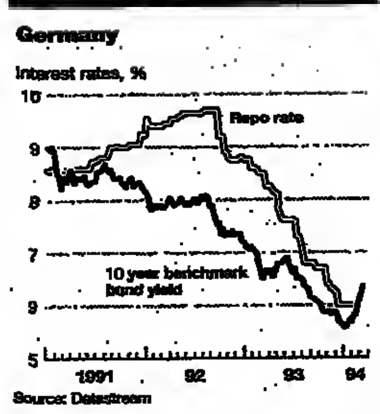
Too many marks

It is tempting to dismiss the 20.6 per cent growth in Germany's January M3 money supply as meaningless. The figure is a crude annualisation of only one month's worth of data. Some of the rise in private sector lending reflects changes in the tax rules on mortgages. The difficulty, though, lies in knowing how much. Since the outcome was so far in excess of market expectations, the risk is that underlying money supply growth is still higher than the Bundesbank intends.

The public importance it attaches to this particular indicator puts the central bank in a dilemma. Even if money supply remains flat in February, annualised growth over the first two months of the year will still be 13 per cent. There may be quite a debate in Germany about the relevance of M3. But while it is growing so fast, the chances are that the Bundesbank will continue the glacial pace of interest rate cuts implicit in this week's 3 basis point fall in its money market repurchase rate. Although inflation is coming down and the economy is weak, it has to worry about losing credibility.

The irony is that, by encouraging domestic investors to hold money on short term deposit, this may delay the slowdown of money supply growth. Until the yield curve steepens, there is limited incentive to buy bonds, especially in these nervous markets. Bond markets yesterday went down because they were afraid that the Bundesbank would not cut rates, not because they were worried it would unleash inflation by doing so. A yield of nearly 7 per cent on 30-year government issues is attractive with inflation already below 3 per cent in Bavaria. Investors might realise that sooner if the Bundesbank were not so short-sighted.

FT-SE Index: 3248.1 (-22.5)



Source: Datastream

UK equities

What threatened to be a nasty bang for UK equities turned into an uncomfortable whimper. After yesterday's 22.5 point fall, though, the *FT-SE 100* index stands 8 per cent below the peak reached a month ago. Whether that can be dismissed as a healthy correction or marks the begining of a bear phase now turns on developments in the bond markets, not just in Germany. Given the fog that surrounds US monetary policy following Tuesday's data, investors might be forgiven for feeling thoroughly unsighted.

Even if bond markets did now recover some poise, these issues will not be resolved quickly. While a yield ratio of around two hardly suggests that UK equities are overvalued when judged against gilts, any further rise in bond yields would doubtless spill over. The main comfort must be that - as the Treasury's monthly monetary report yesterday confirmed - the domestic inflation indicators remain unthreatening.

But neither is it easy to argue that UK equities are cheap in their own right. The market's reluctance to see the FT-SE 100 below 3,200 yesterday points to some support at this level. Yet a multiple of around 15 times this year's forecast earnings still demands an optimistic view of profits growth. The results season has offered some encouragement. The worry must now be that higher real long-term interest rates will undermine recovery in Europe and profits growth in the UK.

France

The sharp fall in European bonds and equities will have left the French monetary authorities shifting particularly uneasily in their seats. Not only will the government have to pay more for the money it raises at today's FFr18bn-20bn bond auction to finance its budget deficit, it must also be growing anxious about its privatisation programme, given the 9 per cent fall in the CAC 40 from last month's peak. The shares of recently-privatised stocks, such as Rhône-Poulenc and Elf Aquitaine, are hovering close to their offer prices. That suggests future issues may have to be priced much more cheaply.

The bigger fear, though, is that France's precarious economy may be tipped back into recession if the trend in long bond yields persists. The Bank of France attaches great importance to long-term interest rates as a determinant of economic activity. It must be disconcerted that benchmark bond yields have risen almost 1 point to 6.4 per cent this year - especially given that the burden has been magnified by a corresponding fall in inflation.

Such worries must reinforce the impulse to cut short-term interest rates further. Yet given how deeply the *franc fort* policy is ingrained in French thinking, the monetary authorities' hands will continue to be tied by the Bundesbank's actions. Mr Edouard Balladur's latest stimulus package may buy the French economy time before the monetary constraints can be eased. But the risks appear to be escalating just when the French government could have expected them to fall.

Vickers

Those investors who coughed up £60m for Vickers' rights issue last year have found their virtue rewarded. The loss of blood at Rolls-Royce Motors, which had threatened the company, has been stemmed. Working capital and cashflow have been substantially improved, albeit with the assistance of advance payments from the Ministry of Defence. Cosworth engines had a good year in both Formula One and IndyCar motor sport. The dividend is back on an upward track.

Now shareholders must weigh how much of Vickers' future prospects are already discounted by the share price. Another Challenger 2 tank order may well be forthcoming from the MoD, but the timing of deliveries will only maintain the current level of production. Further overseas orders, which would provide a boost, are more speculative. Cosworth may well continue to prosper in the precarious world of racing, but the collapsing market for Ford Cosworth road cars is unlikely to recover in the foreseeable future.

While Rolls-Royce Motors has stabilised, overall demand is not rising yet. Indeed, in the US there is little sign of renewed interest, despite the strong economic growth. Fears that the market has shrunk for good are probably overdone, but the concern may hold the share price back nevertheless. And however much the company argues that Rolls-Royce can progress through piecemeal joint ventures, a long-term strategic partner is needed to develop a new model. Rolls is still a one horse company and cannot afford to bet everything on changing models alone.

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IN BRIEF

RMC sell-off abandoned

The French government has abandoned plans to privatise RMC, the state-controlled radio group, because none of the bids were high enough. Page 16

Vickers 'turns the corner'
Vickers, the UK engineering group which makes tanks and Rolls-Royce cars, said it had "turned the corner" last year by making pre-tax profits of £32.3m ($47.2m) compared with losses of £36.6m. Page 16; Lex, Page 14

Euro Disney banks meet
Euro Disney's creditor banks met in Paris to discuss their negotiating tactics ahead of tomorrow's formal meeting with the troubled leisure group and Walt Disney. Page 17

Aluminium attraction
Mutual fund managers have taken a shine to North American aluminium stocks as the next, and best, undervalued market in the commodities sector. Page 17

Minerals help CRA rise to A$807m
CRA, the Australian mining house in which Britain's RTZ holds a 49 per cent stake, reported a sharp increase in full-year profits, to A$806.7m ($568m), compared with A$411.4m, on an equity-accounted, after-tax basis. Page 18

A banana skin in the shrimp works

The Ecuadorean shrimp industry faces multi-million dollar losses for the second year to a row as water pollution continues to hit production. The toxins originate from fungicides on nearby banana plantations. Page 24

CRH lifts profits to I£76m
CRH, the Dublin-based international construction and building materials group, reported a 33 per cent increase in pre-tax profits to I£76.5m ($107.3m) on turnover up 28 per cent to I£1.43bn for the year ending December 31 1993. Page 20

Serco shares rise 117p
Shares in Serco rose by 117p to 1450p after the UK facilities and contract management group announced a proposed 4-for-1 scrip issue and a 31 per cent growth in pre-tax profits to £9.4m ($13.7m) in the year to December 31. Page 21

ADT trades at discount
Shares in ADT, the UK electronic security and car auctions group, continue to trade at a significant discount to markets on both sides of the Atlantic because of shareholders' suspicions about its chief executive Michael Ashcroft. Page 23

India static after budget
Indian equities remained static yesterday while investors review the budget earlier this week. Back Page

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Chief price changes yesterday

FRANKFURT (DM)

Falls			
Asko	1000	-	45
Bayer Vereinsb	479	-	15.5
Colonia Konzern	1210	-	55
Deutsche Bank	781	-	20.5
Dresdner Bank	385.3	-	15.7
Hoechst	292.5	-	10.7

NEW YORK ($)

Rises			
Amer Natl Ins	53	+	2
Israel Lnd Dvl	25¾	+	2
Storage Tech	38⅝	+	2
Falls			
Intergroup	20	-	4
Paramount	49¾	-	26¼
Soc Quimica	29¾	-	2½

New York prices at 12.30pm.

PARIS (FFr)

Falls			
Cap Gemini S	200	-	8.5
L'Oreal	1190	-	52
Legris	258.7	-	12.8
SLIC	908	-	35
Total B	307	-	13
Union Immob Fr	695	-	28

TOKYO (Yen)

Rises			
Dai Npn Toryo	448	+	31
Falls			
Akebono Brake	551	-	25
Fuji Electric	486	-	20
Kansai Paint	450	-	24
UBE Inds	354	-	17
Yokohama Bank	870	-	41

LONDON (Pence)

Rises			
BAT Inds	480½	+	16½
Bilston Bttsea	32	+	3
Clayton Son	127	+	14
Computer People	165	+	20
Gent (SR)	71	+	3
Grand Met	481½	+	13½
Isotron	309	+	14
Rhino	36	+	4
Serco	1450	+	117
Tiger Oats	738	+	25
Falls			
British Land	433	-	16
Close Bros	455	-	35
Comac	105	-	5
Danka Business	382	-	12
Garrard & Nat	410	-	30
HSBC (75p shs)	844	-	24
RTZ	846	-	21
Redland	573	-	13
Schroders	1128	-	60
Scottish Radio	585	-	40
Trans World	165	-	13
Vickers	183	-	9
Warburg (SG)	854	-	34

Peugeot boss warns respite may be temporary as UK group suffers production drop

Incentives boost French car orders

By John Ridding in Paris

French government and industry measures to stimulate the depressed car market have prompted a sharp increase in orders, according to Mr Jacques Calvet, chairman of PSA Peugeot Citroën.

Speaking at a press briefing, Mr Calvet also repeated his claim that Renault, Peugeot-Citroën's state-owned rival, should repay about FFr8bn ($1.3bn) to the government following the failure of its merger with Volvo of Sweden.

He said that the creation of the industrial alliance between the two groups and the decision to unwind their cross-shareholdings could have the net effect of an increase in Renault's capital, and this should be reimbursed. Renault has described Mr Calvet's comments as "a personal interpretation" and said that any increase in capital had come from Volvo, not the French state.

Mr Calvet said that last month's government measures, which included a payment from the government of FFr5,000 for car owners who traded in vehicles more than 10 years old to buy a new one, and which were matched by incentive schemes by the car companies, resulted in almost 50,000 extra orders in the French market. Total orders for the month were about 200,000.

"It seems there was a strong effect," said Mr Calvet. But he warned that the increase could be temporary.

"We cannot say whether the rise will last," he said, adding that consumers may have hurried to take advantage of the schemes.

The company has not revised its forecast made at the start of the year of a 7 per cent increase in total car sales in the French market to 1.85m, as it had anticipated stimulatory measures.

Mr Calvet said that Peugeot was continuing to implement measures to cut costs and increase productivity to adapt to the depressed European car market.

The company plans to cut about 7,000 jobs this year, from a total workforce of 143,900. Productivity, which improved by 12 per cent last year, is targeted to increase by a similar amount in 1994.

Mr Calvet described BMW's acquisition of Rover of the UK as "a courageous and intelligent move, but with risks".

He said that the move would strengthen BMW's range, provide it with four-wheel drive vehicles, and diversify its production base.

However, he spoke of the difficulty of combining two car operations and said that the management of industrial co-operation with Honda would be a crucial factor in the success of the merger.

"Honda had a place in its alliance with Rover, concerning design and conception, which was much more important that its share of the capital," said Mr Calvet.

GKN falls 20% and warns of disposals

By Tim Burt in London

GKN, the engineering and industrial services group, blamed a 20 per cent fall in profits on declining vehicle production in continental Europe. Pre-tax profits fell £24.3m to £97.5m ($142.4m) in the 12 months to December 31, and the company warned that redundancies and disposals were inevitable.

Sir David Lees, chairman, said: "We've seen the worst fall in car and truck production ever recorded in continental Europe. There's not been a year like this since the second world war."

Redundancies are most likely in continental Europe, where demand for GKN's automotive components has fallen sharply.

GKN – embroiled in a £496m takeover bid for Westland, the helicopter maker – claimed continental car production fell by 20 per cent and commercial vehicle output by 26 per cent.

Sir David warned that reorganisation and redundancies costs – up 54 per cent at £19.9m – would be a recurring feature. Those costs led to a 15.4 per cent fall in operating profits to £106.5m.

Although the group received £26.6m from associated companies, against £24.2m, their contribution was undermined by £19m of losses at UES Holdings, the steelmaker in which GKN has a 39.1 per cent stake. Sir David admitted that GKN no longer wanted to be involved in steelmaking.

Automotive and engineered products – including GKN Defence – saw operating profits fall 20 per cent to £76m on flat turnover of £1.56bn.

Profits in the industrial services and distribution division, embracing pallet hire, were unchanged at £31m on reduced sales of £463m, against £471m.

Sales by associated companies helped group turnover increase to £2.64bn, from £2.53bn.

Mr David Turner, finance director, warned that redundancy and restructuring costs would exceed £10m in 1994 as staffing – reduced by 1,800 to 26,400 last year – was cut further.

The company was placing greater emphasis on joint ventures in emerging markets and increasing components capacity in the US, where it has embarked on a $50m expansion.

It also predicted that profits in continental Europe, which fell more than 43 per cent to £38m, would pick up in 1994.

Net cash flow increased to £355.5m, from £219.9m – due mainly to £101m in advance payments for defence equipment. Net borrowing fell sharply from £156.9m to £10.1m.

Earnings per share fell to 18.7p, compared with £20.6p.

The dividend is unchanged at 20.5p.

Losses deepen at UES, Page 22

Richard Lapper examines UK insurers' shift towards direct sales

Crunch time looms for the motor crowd

No sooner have UK insurers enjoyed the fruits of premium increases in their much-improved 1993 profits, than the threat of heavy price competition looms in a crowded corner of the market. Premium rates are already starting to fall in some areas of the fragmented £6bn-a-year motor market, and many observers predict an acceleration.

This week's launch of Guardian Royal Exchange's telephone-based subsidiary Guardian Direct highlights an inexorable trend in motor insurance – and to a lesser extent in home cover – towards direct sales and away from the broker as an independent intermediary.

Direct writers – which can enjoy cost advantages over rivals dependent on traditional broker outlets – are increasing their market share at an impressive pace. Last year, for example, Direct Line – a company formed only in 1985 – became the biggest motor insurer in the country, increasing policyholders from 771,000 at the end of 1992 to 1.4m. Churchill, owned by the Swiss insurer Winterthur, is the second biggest direct writer with 470,000 policyholders.

The rates for comprehensive policies could fall by 15 per cent

Mr Oliver Steel, an analyst with securities house Kleinwort Benson, estimates that direct sellers increased their market share from 17 to 22 per cent in 1993. This was driven by the telephone-based players which now cover roughly 3m of the UK's 18.5m insured drivers. Most of the shift has been at the expense of high street brokers.

Mr Steel expects direct writers to account for 40 per cent of all personal lines business by the end of the decade, while some observers believe the final figure could be as high as 80 per cent. "Brokers appear to have most to lose... In the main they will find larger portions of their business disappearing down the telephone and by the end of the century, we forecast this source of business to account for less than 20 per cent [of the total]," Kleinwort Benson concludes.

These changes are already stretching the resources of managements who have put their faith in broker-based distribution. Companies, such as Sun Alliance, have invested heavily in acquiring chains of high street brokers only to find the ground shifting from beneath their feet.

In the view of many observers, the big high street chains – Swinton, AA Insurance Services and Safeguard – enjoyed their heyday in the early 1980s and face further decline. "The market is clearly in trauma. The composites are losing a major distribution mechanism," says one senior broker.

So far the impact of these changes on the price of motor insurance has been unclear. With the help of more technically sophisticated techniques, insurers have begun to change the way they price their risks. This is illustrated by the higher rates charged to high-risk drivers, such as younger motorists or those with fast cars. Mr John Carter, chief executive of Commercial Union, says: "Some rates will go down and others up".

Many insurers have increased the "excess" – the amount of a claim a policyholder pays – to encourage drivers to become more safety and security conscious, making it more difficult to make a direct comparison of year-on-year premium rates.

Mr Keith Lugton, head of corporate relations at Guardian, draws attention to another trend which has complicated matters. Guardian increased motor rates by 8-10 per cent last year, following rises of 25 per cent in both 1991 and 1992. However comprehensive policy rates fell by an average of 1 per cent. The bulk of the increased charges, with rises averaging 20 per cent, affected non-comprehensive policies covering third party liability.

It has become less attractive to underwrite such policies because of the virtual disappearance of the "knock for knock" arrangement, designed to reduce legal costs and simplify the payment of claims. Under "knock for knock", insurers agreed to pay claims presented by their policyholders irrespective of their responsibility for the accident.

Most major insurers have now withdrawn from the scheme. They argue that drivers with third party insurance are responsible for disproportionately more accidents, and so the "knock for knock" system involves underwriters of comprehensive policies subsidising their less "risk-averse" competitors.

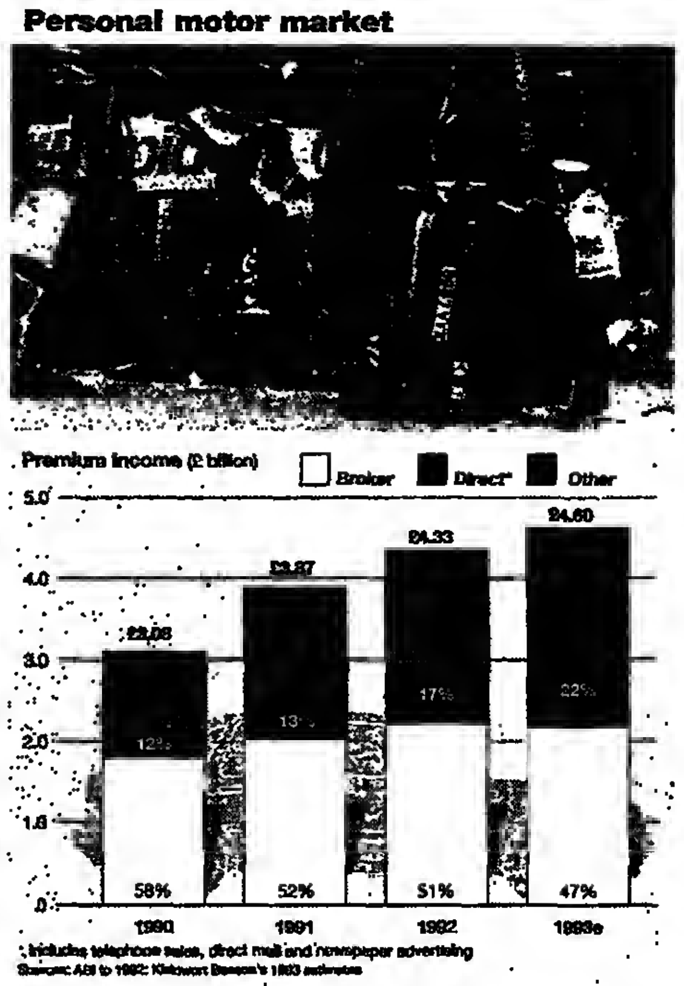
Despite the complicated picture, few doubt that competitive pressures are increasing. According to Mr Steven Bird, an analyst with Smith New Court, the securities house, rates for comprehensive policies could fall by as much as 15 per cent.

The downward pressure on prices could be fed by the efforts of smaller direct writers to build up market share to offset their heavy investment in technology and marketing. "They'll inevitably concentrate on price. They will maybe budget to lose money for their first three years," suggests the senior broker.

Traditional brokers are also joining in, with a number launching telephone-based operations recently.

The implication is that private customers should enjoy cheaper and better insurance, but some companies may not be around to offer it. "There could well be one or two players pulling out of the market or converting themselves into niche companies," says Mr Bird. Or as Mr Peter Wood, the chief executive of Direct line, puts it: "It is a big money business – peanut players cannot survive."

Personal motor market



* Including telephone sales, direct mail and newspaper advertising
Source: ABI to 1992; Kleinwort Benson's 1993 estimates

Fears of trading losses hit US banks

By Richard Waters in New York

Shares in Bankers Trust and JP Morgan, two of the most active US commercial banks in the financial markets, fell sharply yesterday amid rumours they had taken big trading losses.

Bankers Trust, which is more reliant on derivatives trading than other commercial banks, was forced to put out a brief statement after reports spread that it had been hit by large losses on derivatives.

The bank said that its "operations thus far in 1994 have been profitable", though it refused to elaborate. This statement failed to reassure the stock market, and Bankers Trust's shares lost $3¾ to $77 by midday in New York. In the first quarter of last year, the bank made after-tax profits of $230m.

JP Morgan was also rumoured to have lost heavily on derivatives and in the Latin American debt market. It would only say: "Our standard practice is not to comment on our results until the end of the quarter."

The bank is understood to have taken losses on Latin American debt, where it is one of the biggest dealers, but these are thought not to have been significant. Morgan's shares were down $2 at $65½ by midday.

Rumours of big trading losses at several banks have been swirling around the financial markets in the volatile conditions since the Federal Reserve edged up US interest rates on February 4.

While most traders claimed to hava been prepared for some movement in US rates, the subsequent fall in European bond markets has taken many by surprise. Many banks had predicted a continuing rise in European bond prices in the first half of this year.

Also, the dollar's fall against the yen – the cause of the $600m loss admitted last week by Mr George Soros's Quantum fund – had not been expected. The belief was that once US interest rates started to rise, the dollar would follow.

Goldman Sachs, another bank said to have taken big losses in European bond markets, was forced to put out a statement denying such reports last month.

Even if losses prove less severe than some of the speculation suggests, banks are unlikely to sustain the sort of trading profits made last year, when the world's biggest bond and stock markets were moving higher in tandem.

Hedge fund muscle sized up

By Sara Webb and Tracy Corrigen

The financial resources deployed globally by highly leveraged hedge funds could exceed the size of the UK government bond market.

Large and medium-sized hedge funds have an estimated $40bn-$45bn under management, according to MAR Hedge which tracks more than 100 large funds. But they exert a far greater impact on financial markets than their nominal size would suggest because they are so highly leveraged.

Based on the MAR Hedge figures, if the funds have an average exposure of 10 times their nominal value, then they would account for global market exposure of close to $500bn. To put this in perspective, the total size of the UK government bond market is about £220bn, according to BZW.

One head of bond trading in London said he believes that hedge funds' leveraged positions in the government bond markets total around $120bn at present.

Heavy selling by hedge funds, particularly of European government bond futures, has driven down the markets in the past fortnight. Concern about these activities has prompted central bankers to launch inquiries about banks' exposure to hedge funds.

While informal estimates put the total number of hedge funds at 800 to 3,000, many of these are relatively small and not widely followed. Ms Lois Peltz, managing editor of MAR Hedge, said that industry estimates of money under management range up to $100bn.

Ms Nicola Meaden who runs Tass Management, a fund database service, estimates that the top 10-12 hedge funds "probably have about $30bn under management". These funds include Mr George Soros's Quantum Fund, the biggest of the hedge funds.

The degree of leverage varies between funds, so that market exposure ranges from twice to 20 times their nominal size. By buying bond futures, for example, hedge fund managers can create highly leveraged positions in the fixed income markets, which can then drive prices in the cash market.

France abandons plan to privatise radio network

By Alice Rawsthorn in Paris

The French government yesterday abandoned plans to privatise RMC, the state-controlled radio group, after deciding that none of the bids for was high enough.

RMC, which owns a number of radio stations including Radio Monte Carlo for easy listening music and Radio Nostalgie for golden oldies, was put up for sale last November.

The government, which has a 83 per cent holding in RMC, invited private sector companies to bid for the company rather than floating it on the stock market. It has since received four offers for the business.

Havas, the French media group, made the highest offer with a bid worth FFr540m ($93m). NRJ, the pop music radio station, bid FFr440m.

The offers from Alcatel-Alsthom, the electronics concern, and VSD, the weekly magazine, were valued at FFr420m and FFr400m respectively.

However, the government had previously commissioned Coopers & Lybrand, the accountancy group, to prepare a formal valuation of RMC. Coopers is believed to have estimated that the company was worth FFr600m, significantly more than any of the private sector offers.

The economy ministry yesterday issued a statement saying that it had scrapped plans to sell RMC as none of the bids for the company had matched its minimum valuation.

Although price was the main obstacle to tha RMC sale, the government faced an additional deterrent in that the Conseil de la Concurrence, the French competition authority, opposed the Havas bid on the grounds that the group already has significant advertising interests.

Havas not only controls Euro:RSCG, the largest French marketing services concern, but already has interests in broadcasting and billboards.

It was last month embroiled in a political row over its controversial decision to effectively take control of Canal-Plus, the television group.

The failure of the RMC sale marks the first setback in the Balladur government's programme of state asset sales.

The company was originally earmarked for privatisation in 1986 when the last centre-right French government came to power with Mr Edouard Balladur, the current prime minister, taking a leading role in privatisation policy in his old post as economy minister.

Swissair confirms positive result

By Ian Rodger in Zurich

Swissair, the Swiss national airline, has indicated that it made a profit last year in spite of a fourth consecutive year of losses from flight operations. It gave no figures.

Mr Otto Loepfe, chief executive, confirmed the positive result, which earlier seemed uncertain, at a press conference yesterday in Zurich to announce an increase in orders for Airbus aircraft from 26 to 29.

The airline gronp also revealed a finance plan to 1998 calling for capital spending of SFr4.6bn ($3.2bn) and debt repayment of SFr500m. This would be financed by SFr3bn from cash flow, SFr1.5bn in new capital and SFr600m from liquid funds.

Swissair's Airbus order consists of 16 A320s, eight A321s and five A319s worth SFr2.3bn.

The aircraft will be introdnced over two years from the beginning of 1995, more qnickly than previously planned, and five of them are to be leased.

They will replace 24 McDonnell Douglas MD-81s and five A310-200s, of which all but 14 MD-81s have already been sold.

The Airbuses will be equipped with CFM-56-5B engines which produce 40 per cent less NOx emissions than the engines on the MD81s and are 25 per cent more fuel efficient.

Christiania Bank back in black

By Karen Fossli in Oslo

Borger Lenth: 'More than NKr2bn in new core capital'

Christiania Bank, Norway's second biggest bank, has returned to a full-year profit for the first time in five years, helped by interest rate reductions, operating efficiencies and gains on securities.

The bank swung to a pre-tax profit of NKr862m ($116m) in 1993 from a loss of NKr1.23bn in the previous year.

The other dominant feature of 1993 was "our global share offering which strengthened the bank's equity by more than NKr2bn in new core capital," said Mr Borger Lenth, managing director.

The bank's capital adequacy rose from 8.6 per cent to 13.7 per cent of risk-weighted assets at the end of December while core capital doubled to 5.9 per cent from 3 per cent.

Net interest income at NKr3.06bn was little changed from the previous year. Non-interest income shot np by 35 per cent to NKr2.27bn.

Gains on securities reached NKr731m, against losses of NKr94m in 1992. Net gains on foreign exchange and other financial instruments fell to NKr286m from NKr605m, due to lower profitability by the bank's own trading in financial instruments, and because 1992 was particularly good, Christiania said.

Operating expenses rose slightly to NKr2.92bn from NKr2.87bn. "Excluding the costs relating to the acquisition of new branches and the increase in the charges payable to the banks' guarantee fund. Christiania reduced its expenses by 2 per cent in 1993," it said.

The bank almost reduced by half losses on loans and guarantees, to NKr1.45bn from NKr2.8bn, but is still plagued by high losses in the fisheries sector, which accounted for NKr939m of the total, of which NKr114m was incurred in the fourth quarter.

Net non-performing loans were cut to NKr4.7bn from NKr5.9bn while gross non-performers fell to NKr9.6bn from NKr12.1bn.

The bank said the reduction in loan loss provisions and in the volume of non-performing commitments in all sectors except fisheries, was primarily due to lower interest rates and a strengthening of procedures for account monitoring.

● IBCA, the UK-based credit rating agency, has raised the ratings of Christiania Bank, Den norske Bank and Sparebanken Nor.

Christiania's individual rating was raised to C/D from D/E, the long-term rating to A from A- and the short-term rating to A1 from A2. DnB's respective ratings were raised to D from D/E, to A from A- and to A1 from A2. Nor has been raised to C from C/D, to A from A- and to A1 from A2 due to an especially strong recovery in 1993.

"The higher ratings reflect the improving financial condition of the banks and the positive outlook for the Norwegian economy, and for the banks themselves, for 1994 and beyond," IBCA said.

Nordic Investment Bank ahead

By Hugh Carnegy in Stockholm

Nordic Investment Bank, jointly owned by the five Nordic countries, yesterday reported a 26 per cent rise in profits before allocations in 1993 to Ecu64m ($56m), from Ecu51m in 1992.

The Helsinki-based bank, a leading western investor in the Baltic states, said net interest income grew 36 per cent to Ecu101m, but attributed much of this to its switch during the year to the Ecu as its currency of account and capital.

The bank said it had charged Ecu3.1m against profits to cover loan losses. But it boasted that unlike other loan-loss hit Nordic banks, it had only two non-performing loans in its lending portfolio which at the year-end totalled Ecu4.5bn.

The bank said it had retained its triple A credit rating – the only Nordic banking institution to have done so.

Vickers claims it has 'turned the corner'

By Andrew Bolger and Kevin Done in London

Vickers, the UK engineering group which makes tanks and Rolls-Royce cars, claimed to have "turned the corner" last year by making pre-tax profits of £32.3m ($47.15m), compared with losses of £36.6m.

Sir Richard Lloyd, chairman, said: "Having fought for and won our survival, the Vickers group is now in a position to pursue growth in 1994."

Group turnover fell 4 per cent down to £690m in the year to December 31. Sir Colin Chandler, chief executive, said a squeeze on working capital contributed to a net cash inflow of £58m, compared with an outflow of £40m last time. The proceeds of last March's £60.3m rights issue helped the group to net cash of £18.6m at the year-end, compared with borrowings of £100m.

Rolls-Royce Motor Cars, the luxury car subsidiary, managed to break even following two years of heavy losses. The operation has been drastically restructured to take account of a steep fall in sales.

Worldwide retail sales of Rolls-Royce and Bentley cars stabilised last year at 1,360 compared with 1,378 in 1992, and the business returned to profit in the final quarter of 1993.

Overall Vickers' automotive operations, which include the Cosworth engines and castings businesses, made a trading profit of £10.5m compared with a £15.8m loss in 1992. Most of the profit was generated by Cosworth, which had a successful year in both Formula 1 and the IndyCar series.

Operating profits from defence rose from £7.8m to £10.3m, although sales were down from £179m to £145m. Sir Colin did not expect any firm orders from the UK for new Challenger 2 tanks before May despite December's announcement that the Ministry of Defence intended to purchase up to 259.

Earnings per share of 8p compared with a loss of 12.1p last time. A final dividend of 1.75p gives a total of 3p (1.5p).

Lex, Page 14

Spanish insurer advances 14%

Corporacion Mapfre, the leading Spanish insurance group, increased pre-tax profits by almost 14 per cent last year to Pta9.2bn ($65.7m), writes David White in Madrid.

Total net premiums climbed 23 per cent to Pta274bn. This partly reflected the impact of exchange rate changes on premiums outside Spain which climbed 37 per cent to Pta90.3bn. Reinsurance rose 30 per cent to Pta86bn.

Saga Petroleum increases payout

By Karen Fossli in Oslo

Saga Petroleum, Norway's biggest independent oil company, has reported a steep rise in pre-tax profits for 1993 and is increasing its dividend from NKr1.75 a share to NKr2.

Group operating revennes advanced to NKr5.66bn ($764m) for 1993 compared with NKr4.92bn for the previous year after an increase in operating costs to NKr3.97bn from NKr3.67bn. Pre-tax profits for the year were NKr1bn, against NKr802m.

The charge for net financial items was NKr688m in 1993, up from NKr449m in 1992. Included in last year's charge is a net unrealised currency loss of NKr451m on dollar-denominated debt.

Last year total crude oil production surged by 22 per cent to 35.9m barrels as daily crude oil production rose to 98,400 barrels from 80,700 barrels, helped mainly by the first full year of output from the Snorre field.

Crude oil sales rose by 4.5m barrels to 31m in 1993 as gas sales fell to 465m cubic metres from 485m. Tariff revenue from pipeline systems rose to NKr503m from NKr450m.

At the end of 1993, Saga's remaining proved and probable oil and gas reserves totalled 147.4m tonnes of oil equivalent.

Banco Mello net improves

By Peter Wise in Lisbon

Banco Mello, a Portuguese bank privatised in 1991, yesterday announced a 1.2 per cent improvement in net profits to Es1bn ($5.7m) for 1993, compared with 1992. Cash flow rose 20 per cent to Es2.3bn. Net assets grew 34 per cent to Es124bn.

The bank plans to hold its dividend at Es70 a share, and proposes to increase share capital from Es9bn to Es18bn this year through a rights issue.

It said an allocation of Es2.3bn in provisions against bad debt had increased its coverage of doubtful credit from 48 per cent in 1992 to 87 per cent but had slowed profit growth.

Unexpected FM50m at Kemira

By Hugh Carnegy

Kemira, the state-owned Finnish chemicals group due to be privatised, yesterday reported an unexpected return to the black, announcing a profit after financial items in 1993 of FM50m ($9m) following a loss in 1992 of FM291m.

Sales were up 6 per cent to FM11.8bn despite the favourable effect of a weak Finnish markka.

But Mr Heimo Karinen, chief executive, said a series of internal cost-cutting measures, which saw the workforce reduced by 1,200 to 11,000, has begun to pay off, producing the return to profitability.

An extraordinary charge related to rationalisation measures of FM20m left pre-tax profit at FM30m, compared with a pre-tax loss of FM338m in 1992. Mr Karinen said much of the cost of these measures had now been taken and he expected higher profits in 1994 despite little sign of significant growth in its main European markets.

Kemira, which is 100 per cent state-owned, is one of the centre-right government's main candidates for privatisation. The government envisages a flotation of a one-third stake in the company.

Although no timetable has been set, the company is understood to favour moving ahead this year.

Correction
Tofas

Tofas, the Turkish motor group, has a domestic market share of 45 per cent, and not 25 per cent as reported on Tuesday.

Time Warner delays trial of interactive TV

By Martin Dickson in New York

Time Warner, which operates the second-largest cable television service in the US, has delayed the start of one of America's leading trials of multimedia interactive television, from April until tha fourth quarter of this year.

The company announced a year ago it planned to introduce a "full service network" – offering services ranging from home shopping to interactive games and information services – to 4,000 customers of its cable television service in Orlando, Florida. If successful there, it will roll the service out across its cable franchises.

However, it now says it is postponing the launch to allow "additional refinements of the underlying system software and the set-top terminal".

The operating software is being designed by Silicon Graphics, the California-based maker of high-performance visual computing systems, and the set-top terminal, which controls the flow of information to the home, is being made by Scientific-Atlanta.

Mr Joseph Collins, chairman of Time Warner Cable, said it remained on track to have 4,000 customers on the network by year-end, "and the development process makes us highly confident about its success".

However, the delay is likely to puncture some of the recent hype surrounding the development in the US of an information superhighway – a nationwide, interactive multimedia network.

Coming on top of last week's collspse of the proposed merger between telepbone group Bell Atlantic and cable company Tele-Communications Inc, it shows there remain many hurdles – technological, financial and commercial – before the US creates a successful multimedia system.

Other cable television and telephone companies are involved in trials of multimedia systems, but Time Warner's venture is widely regarded as the most aggressive.

It draws on the company's experiment in the Queens borough of New York City, where Time Warner has been delivering 150 channels of interactive television to cable customers.

Mr Edward McCracken, chairman of Silicon Graphics, said it was important the Orlando system provided a "fully-refined environment".

Banks meet to finalise Euro Disney strategies

By Alice Rawsthorn in Paris

Euro Disney's creditor banks met in Paris yesterday to discuss their negotiating tactics ahead of tomorrow's formal meeting with the troubled leisure group, and Walt Disney, its US parent company.

Members of the steering committee representing the banks in talks over Euro Disney's proposed financial rescua have been meeting informally for the past 10 days with representatives of the Disney camp.

These meetings began after the publication on Monday last week of an andit of Euro Disney's finances commissioned by the banks from KPMG Peat Marwick.

Tomorrow's meeting will be the first formal negotiating session between the 63 international banks in the Euro Disney loan syndicates and the Disney companies since the completion of the audit. Euro Disney is being advised in the negotiations by S. G. Warburg in London, and Walt Disney by Lazard Frères in New York.

The steering committee, led by Banque Nationale de Paris and Banque Indosuez, has already told the Disney companies it envisaged the final restructuring package heing worth between FFr12bn and FFr13bn ($2.2bn). Walt Disney would share the burden of the restructuring equally with the banks.

However some of the smaller banks in the syndicates (which are not represented on the steering committee) are anxious for Disney to play a larger part. A number of these smaller lenders yesterday called on the committee to consult them more closely on negotiating tactics.

The banks plan at tomorrow's meeting to discuss ways in which Disney can participate in the restructuring. They will propose that Disney should significantly rednce its entitlement to various contractual payments from Euro Disney, to alleviate ths financial burden on the company.

These payments include the US group's entitlement to royalty income from the EuroDisneyland theme park, a management fee on sales and a performance-related incentive fee.

Aluminium shines for fund managers

The stock has reflected the commodity's price rise this year, writes Laurie Morse

Mutual fund managers have taken a shine to North American aluminium stocks as the next, and best, undervalued market in the commodities sector.

While copper and gold prices appreciated sharply last year, aluminium lagged, depressed by worldwide overcapacity.

This year, bowever, the price of aluminium is already up 25 per cent, and share prices have been reflecting this advance, although some of the shine is beginning to wear off.

Alcoa, the world's largest and lowest-cost aluminium producer, for instance, saw a 10 per cent rise to its share price during February, hitting a 12-month high of $82, despite reporting a fourth-quarter loss.

The share prices of other top producers, including Reynolds Metals and Canada's Alcan, also rose to highs, even though they have not had a profitable quarter in more than a year.

Bulls argue that aluminium demand is certain to rise as the US economy strengthens, and that aluminium shares serve as inflation hedges in portfolios heavily weighted to financial instruments. Some analysts, however, have been counselling caution.

Much of this year's appreciation in aluminium shares came as investors anticipated the international understanding reached in Brussels in February by the world's biggest aluminium producers.

The producing countries agreed to cut worldwide output by at least 1.5m tonnes as they sought to bring aluminium supply and demand back into balance after years of overproduction, s flood of Russian exports, and soaring inventories.

While the agreement provides the basis for optimism in an industry in the trough of a five-year recession, many securities analysts believe the run on aluminium stocks has been overdone.

Mr J. Clarence Morrison, an analyst for Prudential Securities, recommends clients hold their aluminium shares, hnt not make new purchases.

He is sceptical that the Brussels understanding, which involves voluntary cuts by fiva big producing regions of the world, will ever be fully implemented.

"Sixty per cent of all the world's aluminium smelters are government or quasi-government controlled," Mr Morrison says, "Many are instruments of national policy", which makes real cuts hard to sustain.

He says aluminium output cuts have historically turned into a sort of worldwide shell game, with producers in one region boosting production when cuts are announced in another region of the world.

Mr Vahid Fathi, senior metals analyst at Kemper Securities, puts it more bluntly. The Brussels understanding "has the appearance of a cartel, and all cartels cheat at the end of the day", he says.

"I don't believe in all the hoopla," says Mr Fathi. "Hedge funds and hot money have been moving into aluminium in the wake of the understanding, but there is very little to justify the price increases."

He points out that Alcoa is currently priced at 160 times earnings.

Even assuming the most optimistic circumstances – where aluminium demand strengthened and the US economy improved – Mr Fathi says aluminium shares are overvalued.

Assuming the price of aluminium did rise to 85 cents per pound in 1997, from the curreot 58 cents, Mr Fathi calculates that Alcoa is trading at 20 times projected 1997 earnings.

Using the same model, Reynolds' share price, at $54, is 23 times expected earnings three years from now; Alcan is priced 20 times earnings; and Alumax, recently spun off from the Cyprus/Amax merger, is 25 times earnings.

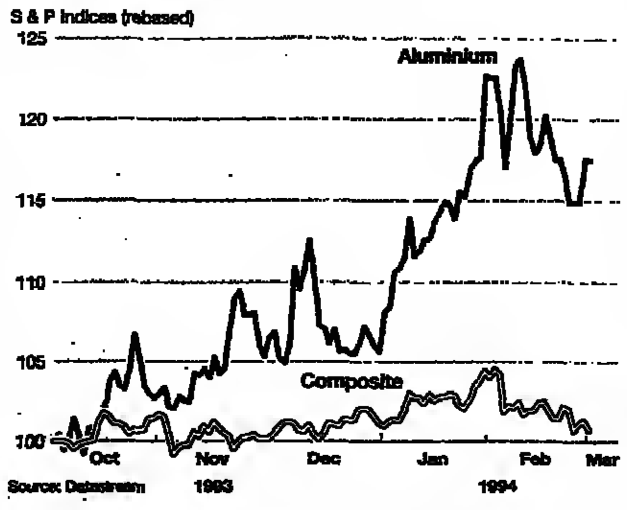
Analysts say that while the fundamentals do oot support the sluminium sbare price increases, fund managers have been so anxious to buy cyclical stocks that they have willingly inflated prices.

In aluminium, their influence is magnified because the industry's capitalisatioo is small, and indeed minute compared with the $25bn US mutual funds have to invest.

Ms Amy Gassman, a metals analysts with Goldman Sachs, says the result will be a very volatile and Opec-like market.

"Prices will rise wheo we get evidence of supply cuts, and fall when inventory drawdowns are slower than expected," she says.

Strong showing by aluminium



Source: Datastream

PC maker's share slide continues

By Louise Kehoe in San Francisco

Shares of AST Research, the fifth-largest personal computer manufacturer, dropped sharply yesterday when the company confirmed Wall Street concerns shout slower-than-expected sales growth in the current quarter.

AST, one of the fastest-growing companies in the PC industry, was trading at $24 in mid-session yesterday, down from Tuesday's close of $28¾. This followed a 9 per cent drop on Tuesday.

For tha fiscal year ended July 3 1993, AST lost $53.8m, or $1.72 a share, on sales of $1.41bn.

The loss reflected a $125m pre-tax restructuring charge related to the company's acquisition of Tandy's PC manufacturing operations in July 1993.

For the first half of fiscal 1994, the company reported net income of $26.2m, or 79 cents, on revenues of $1.2bn.

Several brokerage firms lowered their ratings on AST after the company said its February sales were strong, but below projections. Growth here was abont 60 per cent over the sama month last year, rather than an expected 70 per cent increase.

Other PC stocks also came under pressure. At midday in New York, Apple Computer was down $1 at $35¼. Compaq Computer dropped $1⅞ to $95¼.

GiroCredit bid opposed by savings banks

By Patrick Blum in Vienna

Austria's savings banks were yesterday opposing a bid by Bank Austria to buy a majority stake in GiroCredit, the savings banks' clearing institution.

The bid was announced on Monday – to widespread surprise – as part of an initiative by Bank Austria, Austria's biggest bank, aimed at forcing througb a reorganisation of the savings bank sector.

At a meeting in Vienna yesterday, the savings banks decided instead to press ahead with earlier proposals, which involve Erste Oesterreichische Spar-Casse, the second-largest savings bank, establishing a new company.

This bolding company would be formed by a consortium comprising Erste, Austria Kollegialität Versicherung, a leading insurance company, and the savings banks. The consortium would offer to buy around two-thirds of Bank Austria's 31 per cent stake in GiroCredit.

The meeting called on Erste to make preparations immedistely to establish the company, and to start negotiations with Bank Austria to agree a "fair price" for its shares in GiroCredit. Erste is to be joined by three representatives from provincial savings banks in the negotiations.

Mr Rene Alfons Haiden, Bank Austris's chiaf executive, confirmed that the bank intended to pursue its bid for GiroCredit, worth np to Sch400 a share.

Bankers say the outcome of the takeover tussle is likely to hinge on whether Bank Austria's offer will find enough sellers among savings banks to give the bank the extra 20.4 per cent of GiroCredit's shares which it needs to hava a majority.

Strong growth at US insurer

By Richard Waters in New York

The Prudantial, tha US insurance group, reported a $869m increase in its capital during 1993, to $10.7bn, as most areas of its business grew strongly.

Changes in its capital base are the best indication of the insurer's performance – as s mutual, it does not report conventional profit figures.

The growth came despite s move by Prudential Securities, the broking arm, to set aside $430m to cover the costs of settling thousands of claims from investors in limited partnerships sold by the firm in the 1980s.

After these charges, Prudential Securities still managed to maintain after-tax earnings at $145m, down only slightly from $150m the year before.

Mr Robert Winters, Prudential chairman and chief axecutiva, said the results of the securities arm showed that customers had not lost confidence in the broker.

Following the widely-publicised limited partnership problems, which continue to dog it, the broking firm has embarked on an extensive sdvertising campaign to try to rebuild investors' trust.

The increase in Prudential's capital base compared with a rise of only $80m the year before, when the insurer suffered losses from Hurricane Andrew.

Among individual insurance lines, the Prudential said sales of property and casualty insurance sales had fallen slightly during the year, to $441m in new premiums, reflecting efforts to cut its exposure to catastrophe losses.

Sales of life insurance and annuities in North America climed to $2.7bn in annualised premiums, up from $2.1bn the year before.

Sales in the Far Esst and Europe rose by around a third, though from a far smaller base.

● Bank of Boston is to acquire privately-beld Pioneer Financial, s co-operative bank, for $118m in cash, Renter reports from Boston.

Bank of Boston said Pioneer Bank, with $773m in assets and $720m in deposits, is the largest co-operative bank in Massachusetts.

The acquisition is expected to close this autumn.

Union Pacific buys more oil and gas assets

Unioo Pacific, the US railroad and resources group, has agreed to pay $819m for the oil and gas interests of Cypress Amax, the mining company formed by a merger late last year, writes Richard Wsters.

Union said it had already reached agreement to sell on some assets for $94.5m, retaining mainly gas producing, gathering and processing assets in Texas and Louisiana.

The disposal signals Cypress Amax's intention to concentrate on its mining activities. It brings Union Pacific proven gas reserves to 550bn cubic feet, adding about 20 per cent to its existing reserves.

The assets also include 550 miles of gathering lines and three gas processing plants.

Banks to restructure loans to embattled Mexican farmers

By Damian Fraser in Mexico City

Mexico's private banks are to restructure about 5.5bn pesos ($1.74bn) of agricultural loans in default, in a move that will belp rescue np to 18,000 farmers from bankruptcy.

Mr Roberto Hernández, the head of Mexico's bankers' association, estimates the restructuring will cause 1bn pesos in lost revenues over the next three years. Private banks have largely replaced the state rural development bank as the main source of financing for the sector.

The restructuring comes after intense political pressure on the banks to offer solutions to the farm sector's debt problems. These have grown since the new year peasant uprising in the state of Chiapas.

Last week, thousands of farmers from the Barzon campesino movement blocked the entrance to banks in eight state capitals in an effort to prevent their land from being seized.

The banks have agreed to restructure loans over 15 years. The farmers will pay a fixed annual interest rate of between 4 and 4.5 per cent above inflation: in the first five years they will be able to defer the inflation component of the interest rate for debts less than 200,000 pesos. After the eighth year, they will have to start paying back the principal.

Most Mexican farmers pay more than 20 per cent interest on their debt in nominal terms.

However, Fira, a government agricultural trust fund run by the Bank of Mexico, will offset some of the cost to the banks. It has agreed to guarantee 50 per cent of the non-performing loans and to provide cbeap funding to recapitalise the loans.

"Overall, this is positive for the banks," says Ms Susana Ornelas of Baring Securities "This will improve the asset quality of their loans. Although they will be receiving less interest payments, they will he making fewer loan-loss provisions."

Mexico's farmers have suffered from low international prices for basic commodities such as coffee, and have been hit by the government policy of opening up the agricultural sector to imports and reducing subsidies.

Court rejects Blockbuster investor move

By Richard Waters

A Delaware court has rejected a move to block a $1.25bn investment by Blockbuster Entertainment, the US home video company, in cable television group Viacom.

The application had been brought by some shareholders in Blockbuster, which had agreed to pay $55 a share for a stake in Viacom to provide cash for the cable-TV company's winning bid for Paramount Communications.

Viacom's non-voting "B" shares were trading at around $29 this week.

The Delawars cbancery court said blocking the investment would cause "enormous uncertainty with widespread repercussions, causing Paramount Communication's stockholders to reconsider their decision to tender their shares under Viacom's tender offer".

Blockbuster shareholders have yet to vote oo whether to accept an all-share offer for the company from Viacom.

Although it has already received the backing of Blockbuster's board, the deal has come under fire from some shareholders.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

CRA near doubles profit, but warns of year to come

By Nikki Tait in Sydney

CRA, the Australian mining house in which Britain's RTZ holds a 49 per cent stake, yesterday reported a sharp increase in full-year profits, to A$806.7m (US$576.7m), on an equity-accounted, after-tax basis, but warned that it might be difficult to repeat this performance in the current year. The year-ago figure was A$411.4m.

The advance came partly from strong performances in a number of CRA's businesses – including iron ore, coal, gold and salt – and partly from pension fund surpluses, and some abnormal gains.

"Higher sales volumes for iron ore, gold and coal combined with the weaker Australian dollar, contributed to the improved earnings," said the group, adding that weaker US dollar prices for iron ore, aluminium, zinc, lead and coal offset some of this benefit.

Nevertheless, operating profits, before any of the one-off items, rose to A$886.2m, compared with A$746.3m in the previous year. The pension funds' surpluses added A$114.4m above the line, compared with a A$47.2m charge in the previous year, while abnormal items contributed A$57.4m, against A$31.6m. This last figure resulted from the sale of investments in An Mau Steel and Kloeckner Werke.

After some favourable tax changes, net operating profit was left at A$815.7m, compared with A$410.5m. On an equity-accounted basis, taking in CRA's share of profits from Kaltim Prima Coal and Coal & Allied Industries (before it became a subsidiary) plus a portion of the losses at Pasminco, the figure stood at A$806.7m, against A$411.4m.

Looking ahead, CRA warned that prospects for commodity prices in 1994 remained weak, and that "fundamental market circumstances remain unchanged".

"The steady improvement in the world economy is unlikely to reduce the large inventories of metals. Some bulk commodity prices will be lower, reflecting the continued weakness in the Japanese economy in particular," it said. CRA also noted that the presence of large stocks would hold back price improvements.

Even Australia, whose growth rates are expected to outstrip many other countries in 1994, will "continue to feel the impact of weaker demand . . . for bulk commodities from Japan". The group warned that the rise in the Australian dollar makes export earnings harder to achieve.

The combination of these weak commodity prices, and the uncertain outlook over the Australian currency, caused Mr John Ralph, chief executive, to sound a warning note on prospects for the current year. "It will be difficult to replicate 1993 in 1994," he said yesterday.

Turnround for TelecomAsia

TelecomAsia, the Thai telephone concessionaire that became the largest capitalised company of the Stock Exchange of Thailand when its shares were traded publicly for the first time last December, has reported net profit for 1993 of Bt564.7m ($22.3m), below projected earnings of Bt878m, but a strong turnround from 1992's loss of Bt41.1m, writes William Barnes in Bangkok.

The company, a subsidiary of the Charoen Pokphand group, is likely to report sharp swings in profits because the company will only get a significant income from its core business of supplying and operating 2m telephone lines in Bangkok after several years.

● A surge in sales of mobile phones enabled the Thai telecoms group Shinawatra Computer & Communications, to report a 49 per cent increase in profits for 1993.

The unconsolidated net profit of Bt1.02bn ($40m) compared with Bt683.8bn in 1992. The group's 60 per cent-owned mobile telephone subsidiary, Advanced Info Services, showed strong growth with a 114 per cent rise in net profit to Bt978.1m from Bt452.3m.

COMPANY NEWS DIGEST

Profits climb at Korean Air

Korean Air, South Korea's biggest airline, reported net profits of Won11.8bn ($14.6m) for 1993, up from from Won1.8bn in 1992, as sales rose by 15 per cent to Won2,701bn, writes John Burton in Seoul.

It predicted that earnings would increase in 1994 because of declining fuel costs and lower interest rates. It also expected increased air travel to China following a new aviation agreement and the resumption of flights to Taiwan due to restoration of diplomatic ties.

Woodside posts A$102m surplus

Woodsida Petroleum, the Australian offshore gas producer, yesterday announced a return to profits in 1993, but warned that the slump in oil prices late last year would have a significant effect on 1994 earnings, writes Nikki Tait.

The company announced this week that it is laying off around 430 employees in an attempt to cut operating costs by around A$70m (US$50m) on an annual basis.

The energy group said that it made a net profit of A$102.9m last year, compared with a loss of A$22.6m in 1992. The improvement was partly due to a A$20.6m abnormal surplus last year, compared with a charge of A$85.8m in the previous year.

However, operating profit before abnormals and tax also improved, from A$111.5m to A$134.8m.

Woodside attributed the increase to higher liquefied natural gas, domestic gas and condensate sales volumes and to reduced interest charges.

Futures volume rises sharply in February

By Laurie Morse in Chicago

Volume on the world's leading financial futures exchanges jumped during February, reflecting the rush by banks and hedge fund managers to stem losses in a turbulent world interest rate and foreign currency environment.

Volume in exchange-traded interest rate derivativaa soared, with action in Paris'a Notional bond future more than double February 1993, and np 61 per cent on an active January, at 5.9m contracts.

Liffe saw volume in its bund futures contract rise 53 per cent over January and 264 per cent over last February to 4.38m contracts, while action in Chicago's US Treasury bond futures pit was up 30 per cent from last February and up 15.7 per cent from January at 8.4m contracts.

Chicago's Enrodollar futures, used for short-term interest rate hedging around the world, traded 9.3m contracts in February, up 43 per cent from January, and nearly double last February. Interest rate options trading activity at all exchanges also soared. Foreign currency futures, available only in Chicago, had volume gains of 8 per cent over January, at 2.8m contracts.

Even within the derivatives industry, where volumes double every five to eight years, exchange turnover during January and February has been remarkable. Traders say the sharp rise in exchange business correlates with worldwida financial volatility and heavy trading in underlying cash markets.

There was littla evidence that fund managers and banks ware liquidating derivatives positions as part of February's heavy turnover. The number of open positions in Matif's Notional future were up 41.4 per cent over January, positions in London's bund futures contract rose 60 per cent from January to February, but there was little change in the number of open positions Chicago's Eurodollar or US Treasury bond futures.

Boral announces rights issue after 19% advance

By Nikki Tait

Boral, the Australian building materials group which last year paid A$830m (US$593m) to acquire the Sagasco energy business, yesterday combined news of a 19.5 per cent increase in first-half profits, before tax and abnormals, with the announcement of a one-for-10 rights issue to raise A$353.7m.

Both elements reflected a significant restructuring. The company saw a fairly strong operating performance in the six months to end-December, with sales revenues increasing by 10.9 per cent to A$2.32bn, and operating profits rising to A$213.3m from A$178.5m.

Sagasco was included for two months, adding A$10.1m at the operating level, while Azon – Boral's former manufacturing division which was floated off in November – made a five-month contribntion of A$17.4m. Geographically, the improvement came from the core Australian business, with North American operating profits dipping to A$1.64m from A$8.09m, and Europe'a to A$6.06m from A$8.44m.

However, Boral also took a A$265.6m abnormal charge in the first half to cover a range of write-offs, rationalisation and restructuring moves. The largest goodwill write-off applied to the US operations, where Boral says it is looking to become "more focused". Goodwill was written off in the resource and clay roof tile operations in Southern California, and a large portion of the resource and clay brick assets will be sold.

Smaller amounts of goodwill were written off in Australia, and there were also some large rationalisation provisions there – including one to cover the expected loss on the sale of Boral's collieries business, acquired in 1987 with Blue Circla Sonthern Cement. The group'a total abnormal charge was then offaet by the A$121.2m surplus on the Azon sale, leaving a net charge against profits of A$162.2m.

This meant that profit after tax and abnormals fell to A$4.61m in the first half, compared with A$102.8m.

The rights issue, pitched at A$3.60 a share, is designed to return Boral'a gearing to "normal" levels. In the wake of the Sagasco deal, it rose to 72.5 per cent at end-1993, but will reduce to about 50 per cent after the rights issue money is received. The company said a more normal gearing level would give it flexibility to pursue any opportunities.

Swire Pacific lifts stake in Coke bottling venture

By Louise Lucas in Hong Kong

Swire Pacific, the Hong Kong-based property, aviation and trading group, has increased its stake in its bottling joint ventures with Coca-Cola and plans to invest HK$1bn (US$129m) in bottling plants in China.

Swire will lift its share of Coca-Cola Swire Beverages to 87.5 per cent from 50 per cent. The joint venture will change its name to Swire Beverages, and Coca-Cola will hold the remaining interest.

Swire also takes an additional 2 per cent of Swire Bottlers and 19 per cent of BC Development, the holding company for the Coca-Cola bottling interests in three China provinces. It will also take 29 per cent of the Taiwan Coca-Cola Bottling Company from Swire Beverages, to become the holding vehicle for its bottling interests in Taiwan.

Coca-Cola will invest the US$18.5m received from the sale of these interests .to develop new Coca-Cola operations in the region.

Two months ago Swire Pacific announced it was buying 25 per cent of BC Development and 49.2 per cent of the Taiwan Coca-Cola Bottling Company.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 03.03.94: Pool purchase price £/MWh	Final Prices for Trading on 02.03.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.51	17.30	17.30
0100	15.74	19.73	21.48
0130	16.00	19.99	21.74
0200	11.75	19.99	21.74
0230	15.70	19.73	21.48
0300	15.69	19.73	21.48
0330	15.69	19.73	21.48
0400	15.64	17.36	17.36
0430	15.52	17.26	17.26
0500	10.62	17.24	17.24
0530	14.50	17.24	17.24
0600	14.50	17.25	17.25
0630	14.64	17.26	17.26
0700	14.73	19.97	21.72
0730	14.75	19.97	21.73
0800	15.26	20.02	21.78
0830	15.26	20.61	22.36
0900	15.27	20.61	22.37
0930	15.28	20.62	22.37
1000	15.28	20.62	22.38
1030	15.29	20.62	22.37
1100	15.29	20.62	22.37
1130	15.30	20.62	22.38
1200	15.31	20.62	22.38
1230	15.30	20.62	22.38
1300	15.29	20.61	22.37
1330	15.28	20.29	22.04
1400	15.27	17.36	17.36
1430	15.27	17.34	17.34
1500	15.27	17.34	17.34
1530	15.27	17.35	17.35
1600	15.27	20.30	22.04
1630	15.28	20.78	22.58
1700	15.30	27.14	29.42
1730	15.31	45.78	48.23
1800	15.47	46.11	48.60
1830	15.89	44.25	46.43
1900	16.01	25.61	27.62
1930	15.84	22.44	24.23
2000	15.30	21.12	22.88
2030	15.27	21.10	22.85
2100	15.26	21.10	22.85
2130	15.62	20.40	22.15
2200	15.50	20.40	22.15
2230	14.70	17.31	17.31
2300	14.54	17.27	17.27
2330	10.80	17.20	17.20
2400	10.00	17.20	17.20

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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LONDON RECENT ISSUES

Newly issued stocks appear for between four and six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the appropriate category of the London Share Service if the company so requests.
In the full weekday editions of the FT, published on Tuesday to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest Indices and London traded options prices.
On Saturdays it appears on the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

INTERNATIONAL CAPITAL MARKETS

European prices rebound after opening sharply lower

By Conner Middelmann in London and Patrick Harverson in New York

European government bonds opened sharply lower following the overnight sell-off in US Treasuries and plunged further on shocking Cerman M3 money supply numbers.

However, prices rebounded towards the close on heavy short-covering in the futures pits and speculation that the Bundesbank, whose council meets today, may lower interest rates.

While those hopes were partly dampened by commeots from Mr Guntram Palm, a member of the central bank council, who described the M3 figures as "alarming" and said he saw no room now for a further reduction in official rates, many traders said this did not exclude the possibility of fixed-rate repos at a significantly lower rate next week.

Long-term investors remained sidelined, ceding the stage to short-term traders. Dealers also reported more selling by highly leveraged players, including US hedge funds.

"This price action is scaring the hell out of investors – volatilities have risen so much no one wants to get involved," said Mr Karl Haeling, head of the futures and options group at Deutsche Bank in Frankfurt. "The market is moving on pure emotion, pure psychology. The sell-off won't end on anything logical, but simply when the last seller sells."

Many futures exchanges across Europe registered new record volumes yesterday, and as a result of extreme volatility several of them called for extra margins on cartain futures contracts during the day.

■ While a double-digit German M3 number had been expected, the publication of a 20.8 per cent annoalised growth rate for January triggered another sharp bout of selling on fears that the data would further delay the Bundesbank's already slow pace of easing.

German bunds fell by more than two points after the release, dragging the rest of Europe down with them. Prices were further pressured by the Mr Palm's comments and disappointing results of the Treuhandanstalt's latest 10-year auction, which saw virtually no retail demand.

However, the late short-squeeze helped bund futures recoup most of their losses. The March bund future stood at 95.51 in late London trading, down 0.62 point on the day but well above its 93.80 day low.

■ French bonds tumbled in line with bunds and were pounded by more foreign selling. Prospects of FFr18bn to FFr20bn of today's new 10 and 25-year supply also waighed on the market.

However, rumours that the Bank of France had bought OATs via inter-dealer brokers helped calm the hectic market, and some observers were confident today's OAT auction should go smoothly. "There may be better demand than expected," said Mr Steve Major, European economist at Crédit Lyonnais in Paris.

GOVERNMENT BONDS

The notional OAT contract oo Matif fell by 1.36 points to 124.38 on the day, but crept higher to 124.96 in late Londoo trading on Globex.

■ UK gilts slid in line with other European markets, despite an early offer from the Bank of England to buy cash honds from market-makers. "The Bank came in early, offering to take paper off distressed market-markers' hands," said a senior gilt dealer.

While he felt the offer was not heavily taken up, another trader said the Bank had been "a very aggressive buyer". The Bank declined to comment on rumours of its market-smoothing intervention.

Gilts also staged a late recovery, with the June long gilt future closing $\frac{1}{32}$ point higher on the day at $110\frac{31}{32}$, off its $109\frac{7}{32}$ low.

■ Japanese bonds were whipped around by jitters surrounding the auction of Y1,200bo of 10-year bonds. The market sold off ahead of the aoction as participants feared a lack of demand for the paper.

However, results showing better than expected support for the auction prompted a small recovery, said Mr Adam Chester, international bond strategist with Yamaichi International.

The JGB future rose by 0.70 points to 110.50 in London, from a Tokyo close of 109.65.

■ After heavy overnight selling in Tokyo and London, US Treasury prices posted big declines yesterday morning amid mounting fears that the Federal Reserve would soon raise interest rates.

By midday the benchmark 30-year bond was down ½ at 92¾, yielding 6.819 per cent. Earlier in the session, the bond had been almost a full point lower.

There was little movemeot in prices at the short end of the maturity range, with the two-year note holding steady at 99¾, yielding 4.808 per cent.

Traders said the downward momentum from overseas markets, where investors had sold US bonds heavily overnight, spilled ovar into early New York trading yesterday.

The selling of the past few days has been inspired by fears that tha Fed, which raised interest rates a month ago, will tighten mooetary policy again to prevent the rapid expansion in the economy from reigniting inflation.

Concern about inflation has beeo rising because several indlcators have suggested prices may be heading upward.

Just yesterday, the Commerce Department reported a 1 per cent increase in wages and salaries during January, double the growth rate of the previous month and a worrying sign that wage inflation may be picking up alongside the fast-growing economy.

The wages data, plus the overnight declines, pushed looger-dated prices sharply lower from the start. The selling in New York, however, was not as pronounced as in overseas markets, and with the lack of buyers, rather than an ahundance of sellers, being the main problem, prices quickly bottomed out.

By midday the 30-year bond had halved its losses, but remained firmly rooted in negative territory.

Japan takes step-by-step approach to deregulation

By Emiko Terazono in Tokyo

Japan's ministry of fioance yesterday outlined the schedule under which the country's nine city, or commerclal, banks' subsidiaries will enter the securities industry.

The announcement is part of the MoF's blueprint for the "gradual" lowering of the barriers between the banking and securities industries and comes almost a year after it opened the door to Japan's three loog-term credit banks, Norinchukin Bank, the central agricultural bank, and trust banks to set up securities units.

The step-hy-step approach has been taken in response to fierce oppositlon hy Japan's brokers, which are still recovering after the plunge in the Tokyo stock market in 1990 and a spate of securities scandals. The ministry has also limited operations by securities units to underwriting, dealing and broking corporate and government bonds, and underwriting equity-linked bonds.

The deregulation comes while banks are still suffering the effects of bad loans made during the late 1980s. Of the 11 institutions permitted to enter the securities industry last year, only Industrial Bank of Japan, Long-Term Credit Bank, Norinchukin, and two trust banks have set up subsidiaries.

The MoF said the city banks would be allowed to establish securities units in July, November and March 1995, in an "orderly manner to avoid confusion". Asahi Bank is expected to set up new operations in July, followed by six leading city banks, Dai-Ichi Kangyo Bank, Fuji Bank, Mitsubishi Bank, Sakura Bank, Sanwa Bank, and Sumitomo Bank, in November.

Biggest ever intra-day margin call from LCH

By Tracy Corrigan

The London Clearing House, which clears London's four futures exchanges, yesterday made a record intra-day margin call, reflecting sharp movements in contract prices.

The LCH made margin calls totalling almost £500m on members holding long positions in bund, Bobl, BTP long gilt and FT-SE 100 contracts, when initial margin limits were breached. It also increased margin rates on bund, BTP and FTSE futures and options, and some stock options, effective March 7.

Margins act as deposits on futures contracts and are returned when positions are closed.

Ontario Hydro prices C$1bn global floating-rate note issue

By Sara Webb

The volatile conditions in many governmeot bond markets yesterday kept borrowers away from the international bond market, with only a handful of new issues launched amid the general turmoil.

Ontario Hydro, the largest electricity utility in Canada, went ahead with the pricing of its already-publicised issue – a C$1bn global floating-rate note with a five-year maturity.

The coupon will be set at the same rate as that available on three-month Canadian dollar bankers acceptances (which are currently trading at around 4.15 per cent).

The notes were priced at 99.64 to give a yield of 8 basis points above the rate on bankers acceptances.

The joint book runners have heralded the deal as the first suhstantial FRN offering in Canadian dollars.

INTERNATIONAL BONDS

They said the pricing was based on "general market perceptions," as well as by looking at the recent US dollar FRN issue which was launched by the Province of Ontario at the end of January.

That deal, which had a 5½-year maturity, was launched with a yiald of three-month Libor plus 8 basis points and tightened to a yield of Libor plus 7 basis points.

Ontario Hydro has an Aa2/AA– credit rating and has an expected borrowing requirement of between C$2bn and C$3.8bn per annum over the next three years.

Syndicate officials said that demand came mainly from North America, continental Europe, and to a lesser extent from the Middle East.

They said that investors in the issue were looking for exposure to the Canadian dollar and were expecting to see Canadian interest rates to move in tandem with those in the US.

Burns Philp, the Australian food group, yesterday tapped the equity-linked sector with the launch of a $125m convertible bond issue.

The deal has a 10-year maturity with an indicated coupon of between 5 and 5.5 per cent. The bond proceeds will be used to help finance the recent DM182m acquisition by the company of Karl Ostmann, the German herbs and spices producer, and for general corporate purposes.

● Standard & Poor's has lowered the senior debt rating of Lasmo to triple-B from A–, and Enterprise Oil to A– from A, writes Tracy Corrlgan. Both companies were placed on CreditWatch with negative implications in January.

The moves reflect the companies' exposure to weakening oil prices, the rating agency said, as their cashflows are very sensitive to crude oil prices.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Burns Philp Treas.(Europe)(a)§	125	(5-5½)#	100.00	Apr.2004	2.50	-	Morgan Stanley Intl.
Malayan Banking Berhad(b)*‡	100	(c)	100.00	Mar.2004	undiscl.	-	JP Morgan Securities Asia
YEN							
Kinki Nippon Railway Co.(d)	10bn	3.60	101.775	Jun.1999	1.675	-	Mitsubishi Trust Intl.
Kinki Nippon Railway Co.(d)	10bn	3.35	101.325	Jun.1998	1.625	-	Mitsubishi Finance Intl.
Ford Credit Europe(d)	10bn	3.635#	100.00R	Jun.1997	0.05R	-	G.Sachs/Sumitomo Trust
CANADIAN DOLLARS							
Ontario Hydro‡	1bn	(e)	99.64R	Mar.1999	0.15R	-	Merill Lynch/Wood Gundy
SWISS FRANCS							
Kinki Nippon Railway Co.(f)*ϕ	300	2.00	100.00	Mar.2001	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing approx 10/3/94. Conv premium indicated at 17-21%. Callable after 3 yrs. b) Subordinated certificates of deposit. Callable on any coupon date from 17/3/99 at par. c) 6-mth Libor -1% for 1st 5 yrs and +2.5% thereafter. d) Short 1st coupon. e) 3-mth BA's flat. f) Fixing: 8/3/94.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	115.3500	-0.810	7.05	6.68	8.16
Belgium		7.250	04/04	100.1000	-1.200	7.23	6.83	6.45
Canada *		6.500	06/04	94.6500	-1.350	7.22	6.83	6.41
Denmark		7.000	12/04	100.9000	-1.650	6.87	0.40	6.03
France	BTAN	8.000	05/98	107.7100	-0.780	5.42	5.42	5.10
	OAT	5.500	04/04	93.8300	+0.080	6.34	6.03	5.72
Germany		6.000	09/03	97.1000	-1.350	6.41	5.96	5.69
Italy		8.500	01/04	93.2600	-0.890	6.57†	8.72	6.36
Japan	No 119	4.800	06/99	105.9580	-0.240	3.47	3.23	3.05
	No 157	4.500	06/03	104.2350	-0.650	3.88	3.52	3.53
Netherlands		5.750	01/04	94.8400	-2.050	6.47	5.95	5.86
Spain		10.500	10/03	108.4000	-0.300	9.14	8.31	7.78
UK Gilts		6.000	08/99	98-00	+3/32	6.45	6.23	5.67
		6.750	11/04	97-22	+10/32	7.09	8.77	6.22
		9.000	10/08	115-14	+14/32	7.27	7.09	6.46
US Treasury *		5.875	02/04	96-27	-35/32	6.31	6.08	5.71
		6.250	08/23	92-28	-52/32	6.81	6.61	6.29
ECU (French Govt)		6.000	04/04	93.1500	-1.750	6.96	6.35	5.96

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

Prime rate	6
Broker loan rate	5
Fed funds	$3\frac{5}{16}$
Fed funds at intervention	$3\frac{1}{8}$

Treasury Bills and Bond Yields

One month	3.14	Two year	4.82
Two month	3.49	Three year	5.19
Three month	3.58	Five year	5.77
Six month	3.80	10-year	6.32
One year	4.11	30-year	6.82

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	124.56	124.38	-1.36	124.94	122.54	461,365	151,927
Jun	124.12	123.94	-1.38	124.48	122.40	29,008	66,561
Sep	123.40	123.16	-1.38	123.40	123.10	268	10,494

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
127	0.29	0.55	0.58	-	3.66	-
128	0.15	0.40	0.50	-	4.50	-
129	0.10	0.20	0.37	-	5.16	-
130	-	0.10	-	-	-	-
131	-	0.08	0.20	-	-	-

Est. vol. total, Calls 81,009 Puts 130,625. Previous day's open int., Calls 282,293 Puts 240,467.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.43	95.44	-0.76	95.89	93.80	318962	135256
Jun	95.22	95.19	-0.79	95.75	93.55	93430	137458
Sep	93.84	95.03	-0.82	95.00	93.84	852	4047

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9500	1.56	1.74	1.37	1.71
9550	1.33	1.50	1.64	1.97
9600	1.10	1.30	1.91	2.27

Est. vol. total, Calls 51299 Puts 33763. Previous day's open int., Calls 187870 Puts 178530

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.30	100.17	-0.63	100.35	99.05	1411	7545
Jun	100.38	100.17	-0.73	100.44	99.47	454	1777

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110.50	109.55	-1.57	110.50	107.00	98767	47402
Jun	110.30	109.38	-1.78	110.40	106.90	47483	77887
Sep		109.32	-1.73			0	1

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
10900	2.91	3.45	2.55	3.13
10950	2.63	3.21	2.77	3.39
11000	2.38	2.98	3.02	3.66

Est. vol. total, Calls 6269 Puts 4132. Previous day's open int., Calls 50152 Puts 43534

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	99.45	99.08	-0.51	99.50	95.71	99,999	122,013
Jun	97.90	98.46	-1.28	99.05	98.23	6,100	41,391

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	110-25	111-30	+0-01	112-10	109-09	30122	55743
Jun	109-30	110-31	+0-01	111-12	108-07	180634	137013
Sep		110-03	+0-01			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
110	2-49	3-05	1-51	2-63
111	2-14	2-39	2-16	3-33
112	1-48	2-13	2-50	4-07

Est. vol. total, Calls 9678 Puts 11773. Previous day's open int., Calls 47322 Puts 39638

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	116.40	115.90	-1.36	116.66	114.76	5,768	13,634
Jun	-	90.10	-1.36	-	-	-	211

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	111-00	110-16	-0-15	111-08	110-02	96,047	195,816
Jun	109-30	109-13	-0-15	110-05	108-27	289,856	187,969
Sep	109-02	108-17	-0-13	109-02	108-12	576	33,920

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	111.28			111.60	111.25	316	0
Jun	109.68			110.85	109.65	5184	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Mar 2	Day's change %	Tue Mar 1	Accrued interest	xd adj. ytd		Low coupon yield Mar 2	Mar 1	Yr. ago	Medium coupon yield Mar 2	Mar 1	Yr. ago	High coupon yield Mar 2	Mar 1	Yr. ago
1 Up to 5 years (23)	126.66	-0.31	127.05	1.66	2.07	5 yrs	6.59	6.45	6.65	6.79	6.65	6.83	6.92	6.78	6.99
2 5-15 years (24)	152.40	-0.72	153.51	1.94	2.75	15 yrs	7.30	7.17	7.68	7.40	7.29	8.17	7.57	7.48	8.38
3 Over 15 years (8)	172.67	-0.85	174.15	0.53	3.53	20 yrs	7.40	7.25	7.96	7.36	7.27	8.34	7.57	7.49	8.47
4 Irredeemables (6)	201.85	-2.51	207.03	2.22	1.47	Irred.†	7.48	7.26	8.42						
5 All stocks (61)	148.39	-0.64	149.34	1.85	2.62										

Index-linked	Wed Mar 2	Day's change %	Tue Mar 1	Accrued interest	xd adj. ytd		Inflation 5% Mar 2	Mar 1	Yr. ago	Inflation 10% Mar 2	Mar 1	Yr. ago
6 Up to 5 years (2)	197.52	-0.04	197.59	0.67	1.41	Up to 5 yrs	2.63	2.61	2.03	1.73	1.71	1.16
7 Over 5 years (11)	181.84	-0.21	182.23	0.82	1.79	Over 5 yrs	3.30	3.28	3.47	3.12	3.11	3.29
8 All stocks (13)	181.53	-0.10	181.88	0.80	0.85							

Debentures and Loans	Wed Mar 2	Day's change %	Tue Mar 1	Accrued interest	xd adj. ytd	5 year yield Mar 2	Mar 1	Yr. ago	15 year yield Mar 2	Mar 1	Yr. ago	25 year yield Mar 2	Mar 1	Yr. ago
9 Debs & Loans (73)	145.10	-1.62	147.49	2.01	2.37	8.40	8.26	8.49	8.46	8.29	9.23	8.50	8.31	9.48

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 2	Mar 1	Feb 28	Feb 25	Feb 24	Yr ago	High*	Low*
Govt. Secs. (UK)	100.12	101.11	101.91	101.25	100.94	97.25	107.60	93.28
Fixed Interest	121.47	123.06	122.97	123.76	124.29	112.74	133.87	108.97

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Mar 1	Feb 28	Feb 25	Feb 24	Feb 23
Gilt Edged bargains	167.5	189.6	162.0	127.7	103.6
5-day average	150.0	140.4	128.1	112.8	109.3

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

Acquisitions and better profit margins in US provide main growth

CRH advances 33% to I£76.5m

By Tim Coone in Dublin

CRH, the Dublin-based construction and building materials group, reported a 33 per cent increase in 1993 pre-tax profits from I£57.6m to I£76.5m (£74m) on turnover up 28 per cent to I£1.43bn, against I£1.11m.

Tbe strongest growtb occurred in the US through acquisitions and improved profit margins. Tbe US now provides a quarter of sales and 32 per cent of trading profits with I£30.1m (I£15.4m). Growth of 5 per cent in construction activity is forecast for 1994.

Profit margins in Ireland and on tbe European mainland were further squeezed in 1993 resulting in trading profits of I£31m (I£32.1m) for Ireland and *I£21.9m (I£20.7m) for Europe.*

Losses continued in Spain offset by strong profit contributions from acquisitions in the Netberlanda. Analysts expect the Spanish activities to return to profit with an improvement in market conditions, although this is not expected before 1995.

Trading profits for the UK rose to I£11.9m (I£3.96m) and volume growth and improved margins point to further recovery there in 1994.

Last September's I£147m rights issue substantially improved the balance sheat, bringing down net year-end borrowings to I£66.6m for gearing of 11 per cent, against 47 per cent a year earlier.

The group is in a strong posi*tion for further acquisitions,* which are being planned in the US and the Benelux countries.

Further improvemant is expected in the present year due to increased construction in Ireland, the UK and the US, altbough continued difficult trading is expected in Spain and a slight decline in activity is forecast in the Netherlands.

Earnings per share were up 27 per cent to 19.8p (15.6p) and a final dividend of 4.96p is recommended for a total of 7.23p (6.75p).

Mr Harry Sheridan, finance director, said dividend cover bad improved to 2.55 times, "which underpins our ability to maintain a policy of steadily increasing the dividend".

● COMMENT

After two years of falling profits, the group's diversification into the US and European mainland is helping the bottom line. With the exception of Spain, management seems to be coping successfully with bedding-in its acquisitions. The strong balance sheet positions it well to take advantage of recovery in its main markets. Pre-tax profits exceeding I£90m seem likely this year giving a prospective p/e of abont 16. This lags far behind CRH's peers, suggesting a buying opportunity. Indeed, non-Irish shareholders increased their stake in the company from 8 per cent to 37 per cent over the past year.

Hollas seeks £17.3m to fund purchases

By David Blackwell

Hollas Group, tbe Mancbester-based clothing and textiles group, yesterday announced a £17.3m rights issue that will double the size of the company.

The proceeds will be used to acquire two companies – Textilion, a maker of ladies' wear, knitwear and children's clothing, and JB Hunter, bolding company of Edward Macbean, whicb specialises in making clothing for foul weather.

The purchases are conditional on shareholder approval at an EGM on March 25.

The 5-for-4 rights issue of 73m ordinary shares, fully underwritten by Charterhouse Tilney Securities, will be at 25p a share. The shares closed at 31p, down 1p.

In January Hollas announced pre-tax losses of £254,000 for the six months to end-September following a review of its activities by the new management team whicb resulted in exceptional costs of £705,000. Yesterday it forecast a final dividend of 0.3p for the enlarged share capital, giving a total of 0.6p for the year.

Hollas is paying £5m for Textilion, subject to a downward adjustment if pre-tax profits for the year to end-February come in at less than £440,000 or if net assets are below £2.59m. In the 1993 year Textilion made operating profits of £442,000 on turnover of £2.2m. Net debt at February 4 this year was £5.6m.

The initial consideration for Hunter is £3.48m, subject to downward adjustment if it does not make a pre-tax profit for the 13 months to March 31 or if net assets are below £775,000. In the year to February 26 1993 Hunter mada operating profits of £627,000 on turnover of £6.85m. Net debt at February 4 was £1.3m.

Mr Julian Lee, who came out of retirement to become group chief executive of Hollas in October, said the company had been drifting sideways for several years.

Textilion, whose customars include Marks and Spencer, Next and Boots, would complement Gardnar, tbe clothing importer at the heart of Hollas, whose customers include BHS and Woolworths, Mr Lee said.

Edward Macbean's protective clothing was a new direction for Hollas. But the potential for quality goods in the health and safety equipment area was tremendous in both the UK and Europe, he said.

Mr Lee, who has 2.7m shares, plans to take up all his rights.

On Tuesday Mr Jaymin Trivedi, the biggest shareholder with 13 per cent, resigned as a non-executive director because he felt there would be a conflict of interest after the acquisition. He wanted to take np 100 per cent of his rights, but has agreed to take up only 80 per cent.

Freeman ahead of forecast

Freeman Group, the building products company which is the subject of an agreed bid from Sbeffield Insulations, announced profits for 1993 ahead of tbe forecast in last month's offer document.

Directors had estimated that tbe pre-tax outcome for the year to end-December would be not less than £950,000. In the event, the USM-quoted group turned in a profit of a little more tban £1m, against £496,000.

The improvement was achieved on turnover up from £58.6m to £64.3m. The pre-tax advance was boosted by the release of a £40,000 provision for expenses on discontinued operations, against a £310,000 charge last time.

Earnings per sbare on an FRS 3 basis came out at 10.4p (2.7p).

A second interim dividend of 4p has already been declared, which will be paid within 14 days of the offer becoming unconditional. This will raise the year's pay-out to 6p (5p).

Pizzaland Scottish growth

By Tim Burt

BrightReasons, the private company which owns the Pizzaland restaurant chain, yesterday announced an expansion plan which could pave the way for a flotation.

The group, which operates 160 pizza and pasta restaurants around the UK, said it was acquiring a further six outlets in Scotland and one in England for an undisclosed sum.

Mr Michael Guthrie, group chairman, said the acquisition from Edinburgh-based Pizza Gallery had been funded by loans from Samuel Montagu, Bank of Scotland and Banque Indosuez.

Mr Guthrie, a former chairman and chief executive of Mecca Leisure, said yesterday: "We are now considering a float, but it's not imminent."

The group was committed to further expansion, and intended to spend np to £4m developing operations in Scotland, where it now has 22 outlets.

$31.5m US aggregates acquisition for ECC

By Maggie Urry

English China Clays, the industrial minerals, speciality chemicals and construction materials group, has bought Kost Brothers, a US aggregates, ready-mix concrete, contracting and building block manufacturer, for $31.5m (£21.5m) cash.

Kost has net cash of $7m, giving a net purchase price of $24.5m, and assets worth $17m before a revalnation of its reserves. In the year to February 28 Kost is expected to have made an operating profit of $4.7m.

Mr Alan Shearer, managing director of the construction materials division, said that Kost was a private company and its reserves had not been valned for several years, so were likely to be worth more than book value.

Kost's reserves were "substantial" with a life of over 50 years. He said there was likely to be a small goodwill element in the purchase.

ECC is expected to announce details shortly of the demerger of the construction materials division, possibly at the time of its full year results on March 14. This will involve giving new shares in the division to ECC shareholders on a pro rata basis.

Kost is based in the Fargo/Moorhead area on the North Dakota/Minnesota border where it has a leading market share. As such it is relatively close to ECC's other US construction materials operations in Denver, Colorado and Minneapolis/St Pauls, Minnesota.

ECC said the deal furthered its strategy of being an aggregate-led, regionally based business in the US.

Thornton Pan-Euro

Net asset value per share of the Thornton Pan-European Investment Trust expanded over the 12 months to December 31 1993 from 32.29p to 40.79p.

Earnings per share were just ahead at 0.92p, compared with 0.91p, while the single final dividend is again 1p.

Disposal of Devenish stake behind rise at Boddington

By Tony Jackson

Boddington, the pubs, leisure and healthcare group, produced an 87 per cent rise in pre-tax profit in the year to January 2, thanks almost entirely to the disposal of its stake in Devenish, tha rival puh gronp. At the trading level, profits were up less than 1 per cent.

Mr Denis Cassidy, chairman, said this was a "continued strong performance in very difficult market conditions". Trading in the year to date, he said, had been ahead of last year.

Sales were £242.3m (£236.2m). Trading profits were £32.7m against £32.4m. However, the *company pointed out that 1992* had been a 53-week year. Adjusting for that, the underlying growth in trading profit was 5 per cent.

Trading profit in the pubs division was £21.8m (£22.7m), with beer volumes down 3.1 per cent. Leisure hotels made £2.8m (£1.6m). Drinks wholesaling profits were unchanged at £7.5m. Mr Cassidy said there are signs that the price war of the past couple of years may be changing. Profits in health care, hit by the introduction of the Community Care Act last spring, were also unchanged, at £3.2m.

After a £14.7m profit on the Devenish sale, and net interest charges reduced from £7.1m to £4.7m by the £37m sale proceeds, pre-tax profit was £41.2m (£22m). Earnings per share, excluding disposal profits and exceptionals, were up 9.9 per cent at 17.8p. The annual dividend is raised 10 per cent to 8.03p with a final of *5.17p.*

Mr Cassidy said the supply agreement whereby Whitbread supplies Boddington with beer brands, including Boddington bitter and Stella Artois lager, had been extended to 2000. The price would he tied to the general rate of inflation.

● COMMENT

Though underlying profits are flat this is not a bad performance in Boddington's markets. In particular, botb the wholesaling and nursing homes divisions had to cope with suppoaedly temporary problems. This year, the market expects about 10 per cent growth in earnings: a full year's use of the money from the Devenish sale is worth 2 per cent on earnings alone. On that basis the sharas – unchanged at 273p in yesterday's falling market – are on an apparently undemanding multiple of 14. The unsettling factor in the near term is that Whitbread must unload 5 per cent of the equity. Further out, Boddington is contracted to take the bulk of the beer it sells through its pubs at prices linked to the RPI until the millennium. But what if the beer price falls?

Court clears Europa merger

By Kenneth Gooding, Mining Correspondent

The proposed three-way merger involving Europa Minerals, a small UK-qnoted finance house, and two Australian companies with which it already has close links – Burmine and Austmin Gold – looked virtually certain to go ahead last night.

The Western Australian Supreme Court yesterday ruled in Burmine's favour and against *Mount Edon,* another Australian company which has made a hostile bid for Burmine and is attempting to block the three-way merger.

Burmine hopes to implement this by making a recommended £15m offer for Europa and a separate agreed bid for Austmin.

Mount Edon already owns 22.6 per cent of Burmine and previously had a 19.9 per cent shareholding in Europa. Mount Edon sold the Europa stake last week in the hope that it would therefore be able to vote at the Burmine meeting called to approve the mergers.

However, the court yesterday upheld the decision of the independent scrutineers to disregard the Mount Edon votes.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Boddington	fin	5.17	Apr 19	4.7	8.03	7.3
BWD Secs §	fin	2.5†	Apr 15	1.9	4	3.2
Comac	int	1.5♠†	Apr 22	1.5	1.5	1.5
CRH	fin	4.96‡†	May 5	4.5	7.23	6.75
Gent (SR)	int	0.9	May 13	0.75	-	2.1
GKN	fin	12.5†	June 1	12.5	20.5	20.5
Jos	int	2.875☆	Apr 15	2.875	-	11.65
North Midland	fin	nil	-	0.3	0.4	0.8
Primadona	int	2	Mar 30	2	-	4.5
Serco	fin	11.7†	Apr 21	9.5	17	14
Stat-Plus	fin	4.8	-	4.44	8.8	8
Thornton Pan	fin	1	Apr 25	1	1	1
Trans World §	fin	1	Apr 15	0.8	1.3	0.8
Vickers	fin	1.75	May 6	1	3	1.5
Yorkshire Food	fin	2.48	May 5	-	3.2	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence. ♠In lieu of final. ☆ Second interim; makes 5.75p to date.

Jos net assets advance to 277.9p

Jos Holdings, the split capital investment trust, reported net asset value per capital share of 277.9p as at January 31 1994, against 217.3p a year earlier and 196.2p at July 31 1993.

Net revenue for the six months to end-January was £313,000, compared witb £287,000, for earnings per *income share of 4.85p, against* 4.43p.

A second interim dividend of 2.875p is declared for an unchanged total ao far of 5.75p.

Serco makes £9.4m and shares rise 117p

By Andrew Bolger

Shares in Serco rose by 117p to £14.50 after the facilities and contract management group announced a proposed 4-for-1 scrip issue and a 31 per cent increase in profits.

The pre-tax outcome rose from £7.21m to £9.42m in the year to December 31, while turnover increased by 25 per cent to £187m (£150m). Of this figure, 17.4 per cent came from established businesses and 7.5 per cent from acquisitions.

Serco said its mainly public sector markets had continued to offer good opportunities throughout the year and the outlook was promising.

The rate at which the group was winning new contracts indicated that it would continue to expand in 1994.

Mr Richard White, managing director, was confident the pace of UK privatisation would increase.

"The push is there from the government and we see it as a big opportunity in the medium term."

Serco recently won the five-year, £66m contract to manage a new jail at Doncaster through Premier Prison Services, its 50/50 joint venture with Wackenhut Corrections Corporation, a US private prison operator.

The prison will be the most complex to be run by the private sector, with convicted and remand prisoners, young offenders and high-security cases among its 771 inmates.

Overseas work won by Serco includes looking after 17,000 parking meters in Hong Kong and winning a share of the management contract for Diago Garcia, the US naval base in the Indian Ocean.

Earnings rose to 46.5p (37p) per share. A proposed final dividend of 11.7p makes an increased total for the year of 17p (14p).

● **COMMENT**

A 9 per cent share price increase in an unsettled market was tribute to the City's growing enthusiasm for Serco, which since flotation in 1988 has increased its market value more than eightfold. One constraint on the shares has been limited liquidity, so the scrip issue certainly helped sentiment. The group sees plenty of opportunities, both in the UK and overseas, although analysts find it difficult to really understand the huge variety of activities in which Serco is involved. Assuming 25 per cent earnings growth this year, the shares are on a hefty prospective multiple of 25. After doubling in value since the beginning of last year, the shares look mora than up with events.

Hanson asset sale raises $54m

By Maggie Urry

Hanson is maintaining the pace of asset sales with the $54m (£37m) disposal of its half share in North Texas Cement and 15 ready mixed coocrete plants. The move continues its strategy of concentrating the US building materials business on aggregates.

The net value of the assets being sold was $45m at December 31, and in the year to September 30 1993 they contributed operating income of $3m.

Ash Grove Cement, of Kansas, bought the stake in North Texas Cement, while the ready mixed plants, located in the Dallas and Fort Worth areas, were sold to Pioneer Concrete of Texas.

The deal brings to $500m the proceeds from sales in the US so far this financial year. The largest was the flotation of Beazer Homes USA, its US housebuilding business which raised $232m. Hansoo also completed the sala of its US office products business for $162.5m this week.

ABC to take Unique Broadcasting stake

By Raymond Snoddy

ABC of the US has reached agreement in principle to take a significant minority stake in Unique Broadcasting, the independent producer that makes radio programmes for commercial radio stations in the UK and the BBC.

Unique, in which Capital Radio, the London commercial broadcaster, has a 24 per cent stake, produces programmes such as the Pepsi Network Chart Show for commercial radio, Rock Line for BBC Radio 1 and interval talks for Radio 3.

ABC, which is interested in increasing its presence in the independent sector, is likely to take a stake of about 20 per cent in Unique, although this could rise later.

ABC already owns a 33 per cent stake in Satellite Media Services in the UK. In the US the company has been developing streams of radio services delivered by satellite to local stations all over America. This helps local stations cut costs.

It is likely that ABC may be planning something similar in partnership with Unique, which was founded by Mr Simon Cole and Mr Tim Blackmore, who hold about 25 per cent each.

It is believed that, as part of the strategy, ABC is in talks with the Financial Times about the possibility of creating an FT radio service for distribution to UK commercial radio stations.

Interim lift to £1.12m at SR Gent

A £1m turnround to profits from related companies' contributions helped SR Gent, the Marks and Spencer garment supplier, lift pre-tax profits from £986,000 to £1.12m in the six months to December 31.

Turnover grew to £62.4m (£59.8m), while operating profits were lower at £1.79m (£2.44m). The share of profits of related companies amounted to £533,000 (£476,000 losses).

Earnings per share were 1.8p (1.5p) and the interim dividend is lifted to 0.9p (0.75p).

Enlarged Comac £228,000 in the red

By Alan Cane

Comac Group, the UK's largest information technology staff agency, returned losses before tax of £228,000 in 1993 after exceptional charges and unallocated overheads wiped out an operating surplus.

The results included two months' contribution from CSS Trident, formerly the UK's largest independent supplier of contract computer staff, acquired at the beginning of November last year. CSS Trident made profits before tax of £2m on revenues of £53m in 1992-93.

Group turnover grew from £11.1m to £19.8m and operating profits rose from £429,000 to £855,000. There were, however, exceptional charges of £773,000 to pay for redundancies and reorganisation costs and unallocated central overheads amounted to £216,000.

Losses per share were 1.9p, against earnings of 3.7p. An interim dividend of 1.5p is declared in lieu of a final.

Mr Philip Swinstead, who became chief executive in June last year, said Comac's agency business had been integrated into CSS Trident's operations with the closure of all the former Comac offices and some 20 redundancies.

He said that some 1,261 contractors had been placed with clients by December. The company intended to make its first moves in IT consultancy and systems integration in 1994 in pursuit of its declared strategy of becoming a broadly based computing services company. Growth would be both organic and by acquisition.

Oyston's plan to sell stake may lead to a battle for control

Trans World up 54% to £1.74m

By David Wighton

Trans World Communications, tha independent rsdio group where former chairman Mr Owen Oyston's 24 per cent stake is for sale, reported a 54 per cent jump in pre-tax profits from £1.13m to £1.74m for 1993.

But the shares slipped by 13p to 165p yesterday, having risen by more than 60 per cent in the last month.

Mr John Whitney, chairman, would not speculate on where Mr Oyston's shares might go. "Only time will tell," he said.

Mr Oyston's plan to sell his stake may lead to a battle for control of the company involving Emap, the publishing group which owns almost 30 per cent of the shares, and the Guardian newspaper group which has 20 per cent.

The Guardian is unable to increase its stake under current rules on cross-media ownership. But these are expected to be relaxed later this year following a review by Mr Peter Brooke, the heritage secretary.

At present, Trans World can own only one more major local radio licence and will be applying for an FM licence for London in the spring.

Mr Whitney predicts the rules will be changed to allow newspaper groups to own radio stations and that the market share limit will be raised to 25 per cent.

Shares in radio companies have risen sharply over the last few months on hopes of a wave of takeover bids and signs of a strong recovery in advertising revenue.

Trans World recorded an 11 per cent increase for the year, pushing total sales up by £1.15m to £13.3m.

Operating profits jumped by £678,000 to £1.71m, but a return to a near-normal tax charge of 28 per cent left earnings at 3.1p. A final dividend of 1p lifts the total to 1.3p (0.8p).

● **COMMENT**

Even after boiling over yesterday, Trans World shares are trading on a frothy 53 times historic earnings. But the rating should fall sharply this year. Given that three quarters of the company's costs are fixed, it would require advertising growth of only 15 per cent – compared with industry forecasts of 20 per cent – for profits to top £3m, reducing the multiple to about 30. Relaxation of ITV ownership rules pushed television ratings almost as high and that for a sector which is losing advertising share, while indepeodent radio is starting to make the inroads it has long promised. Add Mr Oyston's stake to the mix and there may be life in the shares yet.

Michael Aron

Michael Connolly (left) chief executive, with John Whitney

Embassy seeks funds for investment

By Vanessa Houlder, Property Correspondent

Embassy Property Group, the development company, yesterday announced a complex restructuring together with an £8.7m UK acquisition and a £3m Chinese investment.

Skillion, a light industrial property specialist, is being bought from TR Property Investment Trust for £8.72m, of which £4.72m will be settled in cash and the rest in shares. The deal will leave TR Property with an 8.67 per cent stake in Embassy.

The proposed investment in China is a 47,850 sq m mixed use development close to the centre of Beijing. Embassy is buying a 25 per cent stake from Mr YP Tse, a Hong Kong businessman, in a part-paper deal which will leave Mr Tse with a 9.2 per cent shareholding in Embassy.

Mr Tai Yu Wong, Embassy chairman, said the Skillion acquisition would provide a strong asset base. The planned Beijing investment would be the first of a number of opportunities in China and east Asia.

Some £15.2m is being raised from a placing and open offer of 1.6bn ordinary shares at 1p each by Singer & Friedlander. The company plans a capital reorganisation, which will include the reduction in nominal value of each existing ordinary share from 5p to 1p. It has applied to move from the USM to the Official List.

Dealings in the new shares are expected to begin oo March 31. The proposals will increase the company's market capitalisatioo from £3.1m to about £21.7m.

Embassy also announced yesterday a pre-tax loss of £454,000 for the six months to September 30. In the previous first half it made £4m before tax. Losses per share of 0.4p compared with earnings of 26p.

Mr Michael Kingshott, managing director of Skillion, and Mr Barry Russell, a Skillioo director, are joining the board.

Redrow plans listing to fund expansion

By Andrew Taylor, Construction Correspondent

Redrow, which claims to be Britain's biggest private housebuilder, yesterday announced plans for a stock market listing.

The company is expected to be valued at about £350m under the flotation, which is likely to involve the issue of about £50m of new shares. Mr Steve Morgan, the founder, is expected to raise a further £100m by selling part of his 98 per cent stake.

Mr Morgan, who started the company in 1974 when he was 21, is expected to be left with just over 50 per cent of the shares following the transactions.

Originally the company's sctivities were mainly in north-west England.

They have spread to Yorkshire, east Midlands, sonth Wales and south-west England.

Last year it acquired Costain's former housebuilding bnsiness in south-east Emgland in s deal worth np to £24m.

The money raised will be used to acquire land and finance expansion.

Some 2,000 homes are expected to have been sold in the year to June 30.

During the six months to the end of December, Redrow increased pre-tax profits by 81 per cent to £12.3m (£6.8m) on turnover of £104m (£64.3m). The number of homes sold in the period rose by 81 per cent from 636 to 1,153.

Profits included a £1m gain from the sale of its 12.7 per cent stake in Bellwinch, a rival housebuilder.

The company traditionally does better in the first half. Even so it should be capable of producing pre-tax profits of approaching £20m for the full year. This would compare with £13.3m in 1992-94 and a peak of £16.3m in 1989-90.

Annual output in the medium term is likely to be lifted to about 3,500 homes. The landbank of 6,700 plots with planning permission will need to increase as the business expands.

The average purchase price of each plot is £11,400, equivalent to 13.5 per cent of the current average selling price of a Redrow home. This was £80,000 in the first half, but is expected to be nearer £90,000 in the next financial year as tha former Costain first-time buyer business is moved up-market.

Net debt of £13.8m at the end of December represented 21 per cent of capital reserves of £65.1m.

Barclays de Zoete Wedd is organising the issue, Cazenove is acting as broker.

WH Smith confirms Virgin/Our Price merger

By Neil Buckley

WH Smith, the retail and distribntion group, yesterday confirmed it was merging its Our Price music chain with Virgin Retail, its joint venture with Mr Richard Branson's Virgin group.

Smith will put all its 305 Our Price stores into the venture, and increase its stake from 50 to 75 per cent. Virgin, which operates 24 megastores in the UK and Ireland, will rednce its stake to 25 per cent. No cash is changing hands.

The enlarged group will be the UK's biggest music retailer with annual sales of £350m – 20 per cent of the market.

It will be managed by a team of Virgin and WH Smith exectives headed by Mr Simon Burke, currently Virgin Retail's managing director for the UK and Ireland. Other directors will be Mr Peter Troughton, WH Smith's managing director of UK retailing, and Mr Trevor Abbott, managing director of Virgin Retail. Mr Branson will be president.

The merger is subject to approval by the regulatory authorities.

- Virgin also announced a 50/50 venture with Saehan Media Corporation of South Korea to open Megastores there. The first is expected to open in Seoul in mid-1995.

Saehan manufactures video tape and magnetic media, and has affiliations with Samsung, one of South Korea's largest groups.

Nottingham seeks to raise £15m

By Simon Davies

Nottingham Gronp, one of the UK's largest suppliers of educational products, is planning to raise about £15m in new capital from its forthcoming flotation. The fnnds will be used to redeem preference shares and repay debt.

The pathfinder prospectus, released yesterday, showed 1993 pre-tax profits of £7.3m (£7.08m) after a £1.1m write-down on fixed assets.

Mr David Mansfield, chief executive, said Nottingham's existing business offered steady growth, but he was looking to expand the product range through acquisitions.

He said that government schools had built up budget reserves of £400m, which he expected to support increased purchases of educational supplies in the coming years.

The company was formed through a management buy-out from Coats Viyella in 1989, and the subseqnent purchase of EJ Arnold, its main competitor, from Pergamon.

The management and its venture capital backers will sell some existing shares through the placement and intermediaries offer, in addition to the £15m of new shares. Nottingham will have an initial market capitalisation of about £80m.

Impact day is March 17, and the offer will close e week later. It is the first UK flotation to be sponsored by Goldman Sachs International.

Trevor Humphries

Sir David Lees: 'Quite frankly, UES is not a business we want to be in . . . but prospects for an orthodox disposal are pretty poor'

Losses deepen to £48m at UES

By Andrew Baxter

UES Holdings, the Rotherham-based engineering steels and forgings group in which GKN has a 39.1 per cent stake, plunged to a record pre-tax loss of £48.1m last year, compared with a restated loss of £10.3m in 1992.

The latest deficit could increase the pressure on GKN to resolve the future of its stake in UES, which is the last link with its past in steel, forgings and related "nnts and bolts" businesses. The rest of UES is owned by British Steel.

Sir David Lees, chairman of GKN, said yesterday: "Quite frankly, this is not a business we want to be in". It is included among the peripheral businesses which GKN wishes to divest, but Sir David said prospects for an orthodox disposal were "pretty poor".

The loss at UES, in which GKN's share is £19m, comes in spite of a rise in turnover from £565m to £591m, due partly to a full-year contribution from Lee Bright Bar, acquired in October 1992.

Scrap prices paid by UES rose more than 60 per cent last year, and with selling prices depressed, margins were squeezed. On top of that, electricity costs rose faster than inflation, it said.

Mr Rod Beddows, the steel consultant, said the European engineering steels market was in great difficulties. Also, Thyssen and Saarstahl, the two main competitors of UES in leaded, so-called free-cntting steel, used blast furnaces and did not rely on scrap as their raw material.

UES suffered an operating loss of £21.1m last year, against a deficit of £12.2m in 1992. The latest figure inclndes £2.9m of redundancy costs as UES cut average employment from 8,322 in 1992 to 7,653 last year.

Exceptional costs were £28.9m in 1993, with £19.6m of closure costs – principally related to the closure of the Templeborough works in Rotherham late last year – and £8m of reorganisation and restructuring costs, offset by small exceptional credits.

The latest loss is only the second since UES was formed in 1986, and compares with peak profits of £67.3m in 1989.

On a brighter note, UES did increase exports last year from £222m to £342m.

Mr Don Ford, chairman, said there was some evidence of restocking in January and February, but signs of a sustainable uplift in volumes and margins had yet to be confirmed.

Some observers believe the best solution for GKN would be to sell its stake to British Steel, which could then combine and rationalise the steel side of UES with parts of its own business.

Bnt it is understood GKN does not want to sell at a price which would force it to make a big write-off on the carrying value of its stake.

In the meantime Sir David said UES has to continue attacking its cost base.

EFM aims to double Small Cos Trust's size

By Bethan Hutton

Edinburgh Fund Managers' Small Companies investment Trust is aiming to almost double in size with a conversion share issue.

The trust – launched last August – invests in UK quoted companies mainly capitalised at under £100m. It has net assets of £58m.

The maximum size of the C share issue has been set at £50m, after the placing drew irrevocable undertakings for £20m-worth of C shares at 100p.

The public offer opens today and closes on March 23. Warrants will be attached on a 1-for-5 basis. Conversion will take place by September 30.

- The Foreign & Colonial Income Growth investment trust, the group's first investment trust to concentrate on the UK, has raised £7m from a placing. The public offer, which closes on March 25, has been given a £250m limit, to avoid any need to scale back applications.

Hoare Govett trusts merge and seek £25m

By Bethan Hutton

The two Hoare Govett Smaller Companies Index investment trusts are to merge and raise up to £25m through a conversion share issue.

The moves will create a single trust with assets of about £95m.

The merger is based on the argument that a larger portfolio would lead to more consistent investment performance in line with both trusts' aim of matching the Extended HGSC Index (excluding investment trusts). Lower administrative costs and greater liquidity in the shares are also expected.

Participation in the C share issue is limited to existing shareholders. Commitments have already been received for 20.8m C shares at 125p.

The arrangements are likely to be approved at the annual meeting of the first trust on March 23, as the merger offer has already been accepted by holders of 82 per cent of the second trust's shares.

Resort sells 4 hotels for £7.3m

Resort Hotels has sold four of its 50 hotels for £7.28m to Cairn Hotels, a subsidiary of Bank of Scotland, one of its banks.

The company said the consideration was based on the latest valuation, and included the freeholds. Proceeds would be used to reduce debt. Resort shares have been suspended since last July.

Accounts for the year to end-April 1993 have not yet been published because of difficulties in finalising property valuations. Resort called in independent consultants last July to investigate financing issues.

The trade and industry department has granted the gronp until the end of this month to publish the accounts.

Mr Roland Lewis, acting managing director, said yesterday that the group's strategy was to maximise immediate profitability, which called for "some pruning of our network especially in areas where we are densely represented".

Enlarged Yorkshire Food exceeds £5m

By David Blackwell

Yorkshire Food Gronp, the Bradford-based food processor floated last March, yesterday reported an 89 per cent rise in pre-tax profits to £5.1m for its first year as a public company.

The shares, placed at 110p in March 1993, dipped 3p to 119p yesterday.

Turnover for the 12 months to end-December increased by 51 per cent from £63.2m to £95.2m, reflecting a combination of organic growth and the August acquisition of Del Monte's dried fruit business in California.

"Clearly in our first year we can claim to hava improved shareholdar valne," said Mr Mike Firth, chairman and chief executive.

Earnings per share increased from 8.21p to 9.33p. A final dividend of 2.48p is proposed, taking the total to 3.2p, compared with an estimated 2.88p for 1992.

The group said the results fully justified the £16.9m acquisition, which contributed £15.2m to turnover and £1.9m to total operating profits of £6.5m (£3.9m).

Yorkshire's sales are now split equally between the US and the UK, where 24 per cent of sales go to supermarkets.

The group considered the proportion of its sales going to supermarkets as an advantage because their demands led to efficient business practices, which gave knock-on benefits when dealing with other customers.

The results included closure costs of £502,000, mainly reflecting the group's withdrawal from its baking business. The tax charge for the year rose from 17 to 23 per cent.

£15m Sanderson Bramall buy

Sanderson Bramall is increasing its involvement in the commercial vehicle market with the acquisition of Petrogate Gronp, the commercial vehicle and car distributor.

The Yorkshire-based motor distribution group has conditionally agreed to pay a sum equal to the net asset value of Petrogate at completion, which is expected to be about £400,000, plus a profit-related maximum of £5.25m.

The initial consideration of £4.75m is to be satisfied by the issue of 1m new shares worth £2m with the balance payable in cash. Sanderson is also assuming bank borrowings of about £9.7m.

In the year to July 31, Petrogate, which operates in tha Midlands and tha north of England, incurred a pre-tax loss of £852,000 on sales of £70.4m. Of its £1.9m operating profit some 70 per cent was derived from commercial vehicle operations.

Clayton, Son agrees bid

Motherwell Bridge Holdings, the private engineering and contracting concern, is acquiring Clayton, Son (Holdings) at 128p per share, valuing the engineering construction group at £3.4m.

Clayton shares rose 14p to 127p.

Mr John Crawford, Motherwell chairman, said the acquisition would enhance his company's engineering and contracting strengths in the areas of design and project engineering of specialist plant for storage of solids, liquids and gases.

Motherwell has received irrevocable undertakings to accept the offers, to be made by Hill Samuel, in respect of 61.2 per cent of Clayton's founder shares and 50.2 per cent of the ordinary, representing 56.2 per cent of the votes.

Clayton also announced results for 1993 which revealed pre-tax losses of £1.07m (£1.4m) on turnover of £20.4m (£16.6m).

Losses per share were 42.27p, compared with 47.45p.

BWD advances 77% to £3.08m

By Ian Hamilton Fazey, Northern Correspondent

BWD Securities, tbe USM-traded financial services group, increased pre-tax profits by 77 per cent from £1.74m to £3.08m in the year to November 30.

Turnover for the West Yorkshire-based company increased to £14.5m (£10.4m), while earnings per share expanded 73 per cent to 11.1p (6.4p). A final dividend of 2.5p makes a total of 4p, up 25 per cent.

Mr Christopher Broadbent, chiaf executive, said tbat improved sentiment on stock markets had helped growth, coupled with a switch to equities by private investors from banks and building societies as interest rates fell.

Total funds under management at tha year end were £1.63bn, after a 36 per cent increase in discretionary funds to £315m and e 44 per cent advance in Pep funds to £65m.

The Capital for Companies offshoot raised more than £39m. (£9m). With another £30m raised this financial year, fee income from business expansion scheme activity would continne until 1998. Recurring fee income in the year increased by £1m to £2.8m.

Interest rates hit Stat-Plus

Stat-Plus Gronp, tbe legal stationer, blamed lower interest rates for a 5 per cent drop in pre-tax profits from £3.61m to £3.42m for 1993.

Although gross margins had been maintained and overheads reduced, enabling operating profits to advance 14 per cent to £2.58m (£2.26m), net interest incoma felt from £1.35m to £834,000.

Bank balances increased from £13.9m to £14.2m. Turnover rose to £11.7m (£11.4m).

Earnings per sbare were 10.7p (11.3p) while a final dividend of 4.8p lifts the total to 8.8p (8p).

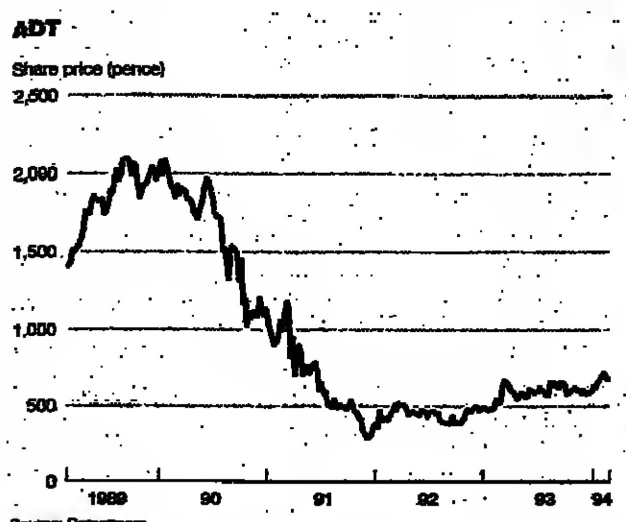
A new image to remove the stigma

Paul Taylor looks at ADT and its unconventional chairman

ADT, the electronic security and car auctions group run by Mr Michael Ashcroft, once the City's bête noire, is "a stock with a stigma".

Shares in the group, which retains its London quote despite being Bermuda-registered and having administrative headquarters in Boca Raton, Florida, continue to trade at a discount to markets on both sides of the Atlantic.

Shareholders in Europe in particular have had rough ride – the shares collapsed from a peak of £21.15 in September 1989 to a low of 281p in December 1991 – and have only recently moved up to about 700p.



On Wall Street, where more than 80 per cent the stock is held, the shares have recovered somawhat in recant months, but are still trading at e relatively low earnings multiple compared with the Standard & Poors 500 average.

Mr Jack Blackstock, an analyst with CS First Boston in New York, said, "a pall hangs over investors' perceptions of the company that emanates from the firm's often confusing and unenviable acquisition record".

More bluntly, many investors remain suspicious of Mr Asbcroft who, long before acquiring the US-based ADT commercial security group in 1988, enjoyed a reputation in London as an unpredictable corporate raider having built up "strategic" stakes in a number of companies including BAA, Lep and Christies International.

In the process he alienated most City institutions, analysts and investors with his secrecy, accounting techniqnes and inter-affiliate transactions.

However, Mr Ashcroft, 48 tomorrow, appears keen to project a new image, though he accepts that he pushed the rules to the limit in the 1980s and says he understands why British institutions abandoned him.

"I was chairman of a public company at 31, I had never met a merchant banker or a stockbroker," he says. "I made all my mistakes in public – but wa all move on".

He insists that "perception is still far removed from reality in London," but he is clearly concerned about how he is viewed in the UK where some 19,000 individual investors still hold ADT shares.

"While New York will continue to be our primary market, we recognise the importance of Loodon both commercially and financially," he says, "and being British, I am naturally keen to maintain my links with London".

The partial recovery in ADT's share price over the past six months in both London and New York reflects a reduction in some of the uncertainties which have overshadowed ADT in recent years, and greater confidence that the gronp will, under pressure from its larger North American investors, stick to its core businesses.

"Three years ago everyooe was betting against our survival," says Mr Asbcroft referring to early 1991 when ADT was hit by a legal onslaught launched by Laidlaw, the Canadian waste management group and ADT's largest shareholder. The Laidlaw suit accused ADT of "manufacturing an illusory profit stream" and sent ADT's already shaky share price plunging towards its nadir.

The suit, fiercely contested by ADT, never went to court. Laidlaw withdrew its accusations after being given four seats on ADT's board. The company was never formally investigated but it was scrutinised by both the public and regulatory authorities. At the time it was proceeding through the listing process on the New York Stock Exchange where it is uow traded.

Even before the Laidlaw suit, Mr Ashcroft and Mr Steve Ruzika, ADT's finance director, were drawing up plans for an "Americanisatioo" of ADT.

Since 1991 ADT has adopted American accounting and corporate governance standards, including accepting a majority of outside directors – nine of the current 13-strong board are non-executives.

The re-fashioning of corporate ADT was a necessary precursor to completing a $1.3bn (£890m) refinancing deal last August which averted a potential crisis triggered by mountains of maturing bank debt and put options on two series of convertible preferred stock.

Tbe rafinancing deal included $156m of new equity, two public debt offerings and a new $500m credit facility which is being used to retire the preferred stock this year. As a result ADT's debt maturity schedule has been extended and the balance sheet cleaned up, although the group still has high gearing.

Meanwhile, Laidlaw, which retains a 23.9 per cent stake in ADT, reduced the perceived share overhang in December by issuing an innovative 5-year dabantura which can be redeemed for cash, Laidlaw shares or ADT shares, depending on the ADT share price.

Michael Asheroft: was an unpredictable corporate raider.

With the refinancing out of the way, Wall Street analysts who have begum to follow the shares are arguing that tha market will be able to concentrate ADT's core security and car auction operations.

Both ADT's core businesses hold leading market positions in high margin service industries, offer substantial operating leverage and are strong cash flow generators with growth opportunities.

The security services business, which installs alarm systems and provides round-the-clock alarm monitoring services reported $141m of operating profits on revenues of $901m in 1992, and is the largest in the world with over 865,000 customers.

The business is expanding rapidly, particularly in the US rasidential market wbere growth has been fuelled by mounting concern about crime. Last year 145,000 residential customers signed up, making a total of 477,000. Most sign 3-year contracts genarating substantial recurring revenues.

Meanwhile, its smaller automotive division handled 1.4m vehicles in 1992, generating revenues of $343m and operating profits of $68m. ADT runs 26 car auctions centres in the UK where it ranks number one, and 31 sites in the US where the group is second after Manheim, a subsidiary of Cox Communications.

Like other highly geared companies ADT highlights the earnings before interest, tax, depreciation and amortisation of its core businesses which have increased from $271.3m in 1990 to $321.6m in 1992, outpacing revenues which grew from $1.14bn to $1.24bn.

The group's 1993 full-year results are due out next week and are generally expected to show steady progress at the operating level, although earnings are likely to be flat, reflecting the dilutive effects of new equity, higher interest expenses following the refinancing and higher reported tax rate.

The one remaining question mark is whether ADT's current management will stick with the strategy focusing on the two core businesses. Since 1991 the management has moved steadily to divest all non-core operations and the new strategy is written into the strict financial and operational bank debt covenants agreed as part of the refinancing which specifically prohibit any divergent acquisitions.

Mr Ashcroft owns only a small ADT stake but his position is secure. Last year be agreed a five-year contract worth up to $5m a year together with a valuable share option package.

It appears that even if be harbours any secret ambitions to enter new business areas, or misses the excitement of his earlier adventures, he would have to use his own funds and private companies outside ADT.

However, UK institutional investors have long memories and until ADT and its management have a sustained track record of delivering solid earnings growth based on their new strategy the stigma will not be fully removed.

Aluminium prices slide as Ottawa talks disappoint

By Kenneth Gooding, Mining Correspondent

Aluminium prices tumbled yesterday as sentiment was affected by two factors: nervousness about the steep drop in bond and share prices and disappointment among some traders over the outcome of international trade talks in Ottawa about measures to bring supply and demand back into balance.

Mr William Adams, analyst at Rudolf Wolff, the Noranda subsidiary, said that it was unusual for disturbances in share and bond markets to spill over to metals but yesterday it was obvious some investment trusts had decided to take profits on metals while they could.

Meanwhile, the two-day Ottawa meeting merely approved proposals drafted last month in Brussels and Ms Karen Norton, researcher at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, suggested the aluminium market had also wanted to see more substantial ideas about how the Russian industry would meet its proposed target of cutting production by 500,000 tonnes and how these cuts would be monitored.

Aluminium for delivery in three months closed on the LME last night at $1,272.75 a tonne, down $33.75. Both analysts suggested that there was important technical support for the price at $1,260 a tonne but if it breached that level the next support was at about $1,235.

Ms Norton said the price might stabilise, however, waiting for the announcement of more production cuts. So far western producers have cut about 850,000 tonnes of annual production but the has industry agreed that global cuts of between 1.5m and 2m tonnes are needed to bring the market back into balance.

Cash-starved bauxite association to soldier on

By Canute James in Kingston

Members of the International Bauxite Association have agreed to contioue the producers' group, despite mounting financial problems because of the failure of some to meet their obligations.

The association, which has its headquarters in Jamaica, has been forced to scale down its operations and cut back its staff over the past two years because of the withdrawal of Australia, the world's largest producer, and the increasing delinquency by some members.

A recent meeting of officials from most of the nine member countries agreed not to phase out the IBA, concluding that the aims of the organisation were still relevant, said Mr Robert Pickersgill, Jamaica's mining minister. The delinquent members have agreed to settle all arrears.

The IBA was established 20 years ago and has been acting as a data bank for its members, allowing them to exchange information and ideas on the state of the industry. Members once accounted for about 85 per cent of the western world's bauxite production, while contributing 54 per cent of alumina (aluminium oxide) production and 18 per cent of primary aluminium output.

The association lists its members as Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, Surinam, and Yugoslavia. Mr Nenad Altman, the secretary general, said recently that membership was open to the states of former Yugoslavia.

Gold joins in general decline

By Kenneth Gooding

Gold, often seen as a haven in times of turmoil in financial markets, failed to live up to this reputation yesterday. As stock and bond prices went into free fall on world markets, gold also lost ground, closing in London at $375.75 a troy ounce, down $5.55.

However, Mr Andy Smith, analyst at the Union Bank of Switzerland, pointed out that governments were still determined to keep inflation under control and would consider increasing interest rates to do so. "Higher interest rates are not good for a non-interest earning asset like gold," he said. "People are holding cash in the expectation that interest rates will rise."

Mr Smith said that if gold could hold above the technical support level of $376 an ounce for a few more days it could move up again. He warned, however, that the investment funds that last year made profits by chasing up the price of gold might start to push the price down if they thought the time was ripe.

Market sentiment was also affected by increased hopes that there would be no violent conflict during the elections in April in South Africa, the world's biggest gold producer.

Dealers said trading was thin and demand weak. "Gold was being tugged about by other precious metals," said one. Silver's price closed in London down by 12 US cents an ounce at $5.245 while platinum fell by $6.25 an ounce to $386.50.

Platinum was also affected by Engelhard, the US precious metals group, announcing that Ford Motor would soon begin limited use of its all-palladium automotive catalyst. These catalysts are the biggest consumers of platinum. The market has been aware of the all-palladium catalyst for some time and this has helped the palladium price move up from $80 an ounce last November to $135.

US fishermen to protest against French embargo

By Nancy Dunne in Washington

A US-French row is simmering over US complaints that French health inspectors are deliberately holding up imports of fresh and frozen US fish. There have been reports this week that the French are close to at least partially lifting a virtual embargo against US fish. But the US administration, which filed an official protest last week, is expected to reject any compromise.

US fishermen are expected to stage a protest today outside the French embassy in Washington if no solution has been found.

Congressman Gerry Studds, chairman of the House Committee on Merchant Marine and Fisheries, says American fisherman, trying to sell fish "under-utilised" in the US market – including dogfish, skate and mackerel – in France, last month suddenly found their products refused entry and left to rot in airport warehouses.

According to Mr Studds, the French government has never made any claim that rejection of the fish was based on legitimate health concerns, but publicly admitted during the February 23 General Agreemant on Tariffs and Trade council meeting that the actions were a "highly temporary" solution to address strikes and violent protests by French fisherman about cheap imports.

"It is clear that your government's actions are an attempt to placate your fishermen at the expense of American fishermen and exports," he has told the French.

He says the US is considering retaliation. The US annual exports about $200m worth of fish and fish products to France, while the French exports about $360m worth to the US.

Congressman Studds says the French have "flagrantly" refused to honour international agreements to conserve bluefin tuna. For this alone, their seafood imports into the US can be embargoed.

Banana fungicide poisoning Ecuadorean shrimps

By Raymond Colitt in Quito

The Ecuadorsan shrimp industry faces multi-million dollar losses for the second year in a row as a water pollution problem continues to hit production.

In 1993 the industry suffered a $70m loss as toxic waste polluted the shrimp farms' water supply and cut production by about 16 per cent from the previous year's level.

Recent studies have established that the toxic substances originate from nearby banana plantations, where fungicides are used to control the black sigatoka disease. Washed into rivers and the Gulf of Guayaquil by rain water, the toxins enter the shrimp cultivating pools, deforming and ultimately killing the larvae.

Shrimp farmers insist that the shrimps that are being exported pose no health threat to consumers as the level of toxicity being encountered is too minute to affect humans.

The so-called Taura syndrome, named after the area in Ecuador where it first appeared, has been spreading steadily since it was first discovered in late 1992. It puts at loggerheads the country's two largest non-petroleum export earners. While banana industry officials claim they have no alternative but to use the commercially available pesticides, shrimp farmers argue that the enormous quantity of toxins are endangering the entire ecosystem, not only the shrimp industry.

Says Mr Harold Muller of the National Aquaculture Association: "Shrimp are a type of bio-indicator. If they cannot survive in a given environment, you'd know something is wrong with the ecological balance".

Indeed, the outbreak of the Taura Syndrome puts an end to the image of Ecuador being a haven for shrimp-growing because of its pristine waters. Taiwanese shrimp farmers who flocked to Ecuador to escape polluted waters in their country are now worrying whether the pollution will reach their shrimp farms in the southern region of the country's Pacific coast.

According to Mr Muller, the principal toxins responsible for the deaths of larvae are the fungicides propiconazole (Tilt) and tridemorph (Calixin).

He says the banana growers are combating a disease that won't go away, while the effect of their fumigation is killing millions of dollars worth of shrimp. Neither of the fungicides is able to eliminate the sigatoka disease. They are only effectivs in preventing its spread.

Representatives of the $500m shrimp industry are calling for a complete moratorium on the use of the fungicide and for a government evaluation of the alternatives to its use. According to the president of the National Acuaculture Association, Alex Aguayo, the government ought to study the feasibility of introducing other types of banana trees that are more resistant to the sigatoka disease, thereby reducing the need for fumigation.

In a seminar sponsored by one of the chemical companies producing the controversial toxins, leading marine biologists from around the world recommended to the Ecuadorean government a moratorium on the use of fungicides in the Guayas river basin. The government has formed a multi-sector commission to develop a strategy in response to the phenomena, which is unique to Ecuador.

But shrimp farmers say action is needed now. They claim their survival is at stake, not only because of the Taura syndrome, but because of the rising production costs caused by movements of the national currency, the sucre. In the last 16 months costs have risen by 70 per cent while the Sucre sales price has remained stable.

MARKET REPORT

Coffee prices reverse early gains

COFFEE futures prices eased in late trading at the London Commodity Exchange yesterday after putting in a strong performance in the morning.

As the market digested news that Brazilian producers bad presented a plan to retain 817,000 bags (60kg each) the May delivery price climbed to $1,232 a tonne. But the rally ran out of steam with traders generally adopting a more cautious attitude on the Brazilian news, and a weaker New York market setting the tone in the afternoon.

By the close the May price was at $1,210 a tonne, down $11 on balance, and traders said there was room for further weakness.

The COCOA market had a featureless day, the main activity again being cross trading between March and May futures positions. The May price ended £6 down at £911 a tonne, but most traders remained confident the support at £900 would not be breached.

At the London Metal Exchange the COPPER market stood firm in the face of the aluminium price tumble. An early test of support below $1,870 a tonne for three months delivery quickly found underlying buying interest and the price ended at at $1,875 a tonne, a gain of $3 on the day.

LEAD and ZINC prices continued to come under pressure with prices drifting dangerously close to support levels of $460 and $950 a tonne respectively. NICKEL slipped to a low of $5,650 on trade and general liquidation before finding support.

Compiled from Reuter

Hydro seeks approval for Troll oil development

By Karen Fossli in Oslo

Norsk Hydro, Norway's biggest publicly quoted company, announced yesterday that it was seeking government approval to develop a thin oil zone in the south-west part of the Troll West gas province in the Norwegian North Sea.

It said the plan, which is in addition to the approved development of the NKr7.4bn (£670m) Troll West oil province, comprises a NKr1.4bn four-well subsea development scheme, which is to be tied back to the Troll B platform.

The company aims to bring the 12-14m thick oil zone on stream in October 1996, nine months after start of production from Troll West.

Hydro said that to accommodate the additional oil production from the gas province, export capacity on the Troll B platform would be increased to 30,000 standard cubic metres from 25,000.

Recoverable reserves of the potential new development are estimated at 6.8m standard cu m of oil and 8.5bn cu m of gas.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1248.5-9.5	1272.5-3.0
Previous	1282.5-3.5	1306-7
High/low	1259.5	1287/1270
AM Official	1259-9.5	1283.5-4.0
Kerb close		1274-5
Open int.	268,780	
Total daily turnover	73,246	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1125-35	1145-55
Previous	1140-6	1160-6
High/low		1158/1150
AM Official	1135-7	1153-5
Kerb close		1145-55
Open int.	3,417	
Total daily turnover	501	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	449-50	463-4
Previous	455.5-6.5	470-1
High/low	450	470/457
AM Official	450-1	464.5-5.0
Kerb close		463-4
Open int.	35,116	
Total daily turnover	7,195	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5625-35	5680-85
Previous	5805-15	5855-65
High/low		5850/5650
AM Official	5695-700	5745-50
Kerb close		5705-10
Open int.	50,926	
Total daily turnover	15,082	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5330-40	5370-80
Previous	5410-15	5445-50
High/low		5440/5370
AM Official	5385-90	5415-20
Kerb close		5405-10
Open int.	19,915	
Total daily turnover	4,821	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	935.5-6.5	952.5-4.0
Previous	945-6	963.5-4.0
High/low		961/953
AM Official	939.5-40.5	957.5-8.5
Kerb close		953-4
Open int.	107,585	
Total daily turnover	13,028	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1849.5-50.5	1872-72.5
Previous	1845-6	1869-70
High/low	1852	1879/1863
AM Official	1852-2.5	1873.5-4.0
Kerb close		1874-5
Open int.	250,296	
Total daily turnover	97,377	

■ LME AM Official £/$ rate: 1.4946

LME Closing £/$ rate: 1.4940

Spot 1.4945 3 mths 1.4897 6 mths 1.4862 9 mths 1.4830

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	87.05	+1.30	87.20	85.50	8,788	1,063
Apr	87.10	+1.35	86.90	86.90	1,020	48
May	87.25	+1.35	87.40	85.60	32,510	5,042
Jun	87.25	+1.25	-	-	847	6
Jul	87.30	+1.25	87.30	85.80	7,007	370
Aug	87.35	+1.70	-	-	388	7
Total					N/A	6,827

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	375.50-376.00	
Opening	377.80-378.20	
Morning fix	376.45	252.059
Afternoon fix	376.95	251.836
Day's High	378.00-378.40	
Day's Low	373.60-374.00	
Previous close	381.10-381.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 3.12 6 months 3.33
2 months .... 3.13 12 months 3.51
3 months 3.16

Silver Fix	p/troy oz.	US cts equiv
Spot	349.95	523.50
3 months	354.25	528.15
6 months	358.50	533.35
1 year	366.65	544.30

Gold Coins	$ price	£ equiv.
Krugerrand	379-382	255-258
Maple Leaf	385.80-388.25	-
New Sovereign	89-92	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	378.9	-0.5	380.0	374.0	73,970	30,761
May	380.0	-0.4	-	-	-	-
Jun	381.1	-0.3	381.7	376.3	34,208	4,090
Aug	383.4	-0.3	383.3	379.7	4,729	637
Oct	385.8	-0.3	385.3	382.0	4,109	88
Dec	388.1	-0.3	388.5	383.5	2,704	51
Total					148,280	37,714

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	391.9	-1.6	393.0	385.0	13,694	1,962
Jul	392.8	-1.4	393.5	387.0	3,880	370
Oct	393.1	-1.4	394.5	388.0	1,073	63
Jan	393.5	-1.4	394.0	390.0	477	35
Apr	394.6	-1.4	392.0	390.0	477	57
Total					19,610	2,487

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	134.90	-1.20	136.00	133.50	116	65
Jun	134.90	-1.20	137.00	133.00	4,340	276
Sep	134.40	-1.20	134.50	133.00	362	2
Dec	133.90	-1.20	134.00	134.00	164	3
Total					4,982	346

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	527.6	+0.3	530.0	516.0	3,257	1,294
Apr	528.0	+0.2	516.0	519.0	1	1
May	530.7	+0.2	533.5	518.0	66,982	20,793
Jul	534.5	+0.2	537.0	522.0	16,015	1,124
Sep	538.5	+0.2	539.5	526.0	3,610	29
Dec	544.3	+0.3	546.0	534.0	6,755	216
Total					107,928	24,152

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	14.69	+0.02	14.83	14.63	111,856	42,467
May	14.05	+0.01	14.97	14.78	60,474	18,340
Jun	15.01	-0.02	15.15	14.98	62,754	7,514
Jul	15.21	-0.02	15.33	15.16	26,109	3,794
Aug	15.41	-0.01	15.50	15.40	14,720	1,855
Sep	15.56	-0.05	15.68	15.58	18,539	1,116
Total					433,012	82,295

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	13.61	+0.04	13.71	13.53	65,870	14,972
May	13.72	+0.03	13.82	13.65	32,505	6,256
Jun	13.88	+0.01	13.97	13.85	15,555	1,476
Jul	14.02	+0.02	14.12	14.02	9,698	477
Aug	14.19	+0.09	14.10	14.19	4,881	28
Sep	14.38	+0.08	14.38	14.38	2,841	-
Total					135,323	30,172

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	45.45	-0.10	46.00	45.15	48,658	14,900
May	43.65	-0.13	44.20	43.50	43,621	6,566
Jun	43.60	-0.08	44.00	43.55	26,734	3,650
Jul	44.20	-0.03	44.35	44.20	19,360	1,704
Aug	45.00	+0.02	45.00	45.00	8,455	910
Sep	46.20	+0.17	46.30	46.20	6,998	1,969
Total					175,318	33,494

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	141.00	+0.25	141.75	140.50	27,419	3,659
Apr	140.50	+1.00	141.00	140.00	24,941	2,428
May	139.50	+0.75	140.00	139.25	14,107	670
Jun	140.00	+0.75	140.50	140.00	16,808	729
Jul	142.25	+0.75	142.25	142.00	10,376	140
Aug	144.50	+1.00	-	-	5,110	-
Total					120,910	0,790

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	2.160	-0.020	2.215	2.140	17,700	9,532
May	2.130	-0.016	2.170	2.170	12,515	2,083
Jun	2.125	-0.009	2.150	2.120	9,239	698
Jul	2.120	-0.008	2.135	2.110	9,389	661
Aug	2.125	-0.006	2.135	2.125	8,488	704
Sep	2.150	-0.006	2.100	2.148	10,296	481
Total					117,907	15,876

■ UNLEADED GASOLINE NYMEX (42,000 US galls. c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	45.50	-0.25	46.10	45.30	36,610	10,791
May	46.10	-0.23	46.55	46.00	39,151	6,510
Jun	46.60	-0.23	47.00	46.60	17,370	2,330
Jul	46.90	-0.13	47.10	46.90	4,614	586
Aug	46.85	-0.16	47.10	46.75	4,686	306
Sep	46.30	-0.51	46.65	46.60	2,092	273
Total					107,384	21,394

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	102.10	-0.25	102.00	102.00	242	2
May	103.40	-0.45	103.85	103.15	2,005	51
Jun	103.40	-0.75	104.00	103.45	395	17
Sep	91.70	+0.15	91.70	91.70	192	5
Nov	92.80	+0.15	93.00	92.80	900	99
Jan	94.85	+0.25	94.75	94.75	384	80
Total					4,161	368

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	342/0	+1/2	344/2	342/0	11,580	9,105
May	344/6	+0/6	345/4	343/4	72,330	18,740
Jul	334/4	+1/0	334/8	333/0	87,635	22,796
Sep	335/2	0	338/2	335/2	14,930	1,730
Dec	344/0	+1/0	344/0	343/0	10,605	1,240
Mar	347/0	+1/0	-	-	10	-
Total					206,220	61,680

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	283/4	-1/2	285/6	283/0	54,330	65,955
May	291/0	-2/6	294/0	290/4	654,610	114,535
Jul	294/0	-2/6	296/6	293/6	527,425	60,870
Sep	281/2	-1/2	282/6	280/6	5,148	117,180
Dec	268/2	-0/4	269/2	267/2	28,425	289,860
Mar	274/2	-0/6	275/2	273/2	16,865	780
Total					1,849M	274,360

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.00	+0.15	105.00	104.55	274	65
May	105.00	+0.10	105.00	104.85	179	22
Sep	92.50	-	-	-	110	-
Nov	94.75	+0.25	-	-	58	-
Jan	95.75	-	-	-	3	-
May	97.25	-	-	-	-	-
Total					633	87

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	678/4	-2/0	681/4	675/4	57,735	29,070
May	681/2	-3/2	686/6	680/2	308,200	111,815
Jul	683/6	-3/4	689/4	683/0	224,845	28,930
Aug	676/4	-3/0	681/0	675/4	35,630	4,025
Sep	662/0	-1/0	665/0	682/0	18,590	995
Nov	648/6	-1/0	653/0	647/4	125,635	9,425
Total					786,845	186,120

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	28.66	-0.33	28.89	28.57	9,846	1,827
May	28.63	-0.41	28.95	28.59	38,483	9,583
Jul	28.55	-0.45	28.88	28.52	27,168	3,478
Aug	28.15	-0.37	28.40	28.15	6,874	264
Sep	27.68	-0.30	27.90	27.65	6,948	333
Oct	26.90	-0.22	27.05	26.90	5,330	308
Total					108,259	17,089

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	192.2	+0.6	192.6	101.6	6,553	5,057
May	193.1	+0.4	193.7	192.4	31,731	11,422
Jul	193.7	+0.3	194.4	193.2	24,541	5,622
Aug	193.1	+0.6	193.5	193.7	7,029	331
Sep	192.0	+0.9	192.3	191.0	5,232	435
Oct	190.8	+0.1	190.8	189.5	2,889	152
Total					86,973	24,335

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	150.0	-	-	-	36	-
Apr	141.0	+2.5	140.0	130.0	1,963	237
May	153.3	-3.5	154.0	145.0	1,180	319
Jun	130.0	-	-	-	2	-
Nov	80.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					3,258	581

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1155	+23	1150	1132	334	61
Apr	1212	+20	1212	1205	1,147	58
May	1211	+22	1211	1204	140	74
Jul	1114	+26	1108	1085	567	15
Oct	1263	+13	-	-	243	-
Jan	1300	+15	-	-	74	-
Total					2,598	226

	Close	Prev
BFI	1115	1115

Cotton

LIVERPOOL- Spot and shipment sales amounted to 80 tonnes for the week ended 25 February, against 50 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles, notably in the African and Mali range

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	893	-4	898	893	3,037	384
May	911	-6	916	908	22,939	1,271
Jul	923	-8	929	920	14,637	729
Sep	933	-8	941	932	11,247	386
Dec	946	-10	954	945	17,310	217
Mar	961	-9	967	961	22,046	559
Total					189,357	3,573

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1135	-3	1144	1128	532	18
May	1153	-1	1160	1143	38,369	5,433
Jul	1177	+1	1183	1167	17,142	1,880
Sep	1202	+1	1205	1193	7,622	112
Dec	1233	+1	1236	1225	6,448	38
Mar	1262	+1	1265	1260	9,701	56
Total					99,713	8,138

■ COCOA (ICCO) (SDR's/tonne)

Mar 1	Price	Prev. day
Daily	908.48	903.10
Mar 2		
10 day average	906.01	903.42

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1189	-14	1217	1200	1,083	100
May	1211	-10	1232	1210	15,308	1,521
Jul	1211	-12	1232	1210	8,433	1,335
Sep	1213	-11	1230	1215	3,723	128
Nov	1223	-8	1235	1222	4,047	203
Jan	1221	-9	1238	1219	4,584	380
Total					37,301	3,881

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	74.50	-0.35	75.50	73.90	1,008	111
May	76.15	-0.50	77.25	75.20	29,440	3,956
Jul	77.55	-0.50	78.80	78.80	7,389	548
Sep	78.80	-0.55	79.85	78.10	5,053	161
Dec	80.00	-0.65	61.15	80.00	3,136	52
Mar	80.80	-0.75	01.80	81.00	1,052	13
Total					47,186	4,863

■ COFFEE (ICO) (US cents/pound)

Mar 1	Price	Prev. day
Comp. daily	72.53	72.17
15 day average	72.84	72.76

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	12.00	-0.01	11.34	11.25	804	-
May	12.45	+0.03	-	-	1,454	-
Jul	11.84	-0.05	-	-	2,852	-
Oct	11.82	-0.05	-	-	135	-
Total					4,441	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	327.50	+0.30	327.80	324.50	7,487	1,178
Aug	322.70	-0.80	322.50	320.50	3,885	289
Oct	302.00	-0.20	301.50	300.00	3,461	117
Dec	292.20	-7.30	-	-	128	-
Mar	298.20	-	-	-	351	-
May	299.50	+0.30	298.30	298.30	190	7
Total					16,679	1,588

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	11.77	-0.01	11.81	11.68	63,338	12,700
Jul	11.95	-0.01	11.98	11.88	26,123	4,174
Oct	11.50	-0.08	11.58	11.47	23,210	2,905
Mar	11.33	-0.05	11.37	11.29	7,393	751
May	11.30	-0.02	11.32	11.32	949	14
Jul	11.30	-0.02	-	-	145	28
Total					124,016	20,574

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	77.00	-1.90	78.80	77.00	854	199
May	76.98	-2.00	78.90	76.98	26,037	2,368
Jul	77.49	-1.98	79.25	77.48	12,117	809
Oct	74.25	-0.84	75.25	74.25	2,323	99
Dec	71.62	-0.70	72.53	71.51	10,705	384
Mar	72.50	-0.60	73.20	72.91	365	71
Total					52,528	3,936

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	108.55	+2.15	109.40	107.50	1,310	1,252
May	111.80	+2.40	112.50	109.90	8,875	1,877
Jul	113.75	+1.70	114.75	112.80	4,505	502
Sep	116.00	+1.65	116.60	115.00	1,836	150
Nov	116.80	+1.35	116.75	116.75	1,134	2
Jan	117.90	+0.90	117.90	117.50	1,206	68
Total					18,938	3,866

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 2	Mar 1	month ago	year ago
1787.8	1792.7	1742.7	1764.8

■ CRB Futures (Base: 4/9/56=100)

Mar 1	Feb 28	month ago	year ago
227.35	227.55	226.99	204.65

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	76.825	+0.250	76.550	76.175	37,860	10,795
Jun	74.625	+0.025	74.700	74.350	20,954	5,298
Aug	73.250	-0.125	73.400	73.100	12,176	2,059
Oct	73.675	-0.050	73.725	73.500	9,815	808
Dec	73.975	-0.060	74.000	73.900	2,085	88
Feb	73.850	+0.075	73.750	73.850	812	4
Total					83,943	18,854

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	48.225	-0.750	48.975	48.125	16,057	3,561
Jun	54.075	-0.625	54.800	53.925	8,484	1,144
Jul	53.475	-0.650	54.025	53.375	3,148	230
Aug	51.825	-0.575	52.500	51.850	2,494	161
Oct	48.175	-0.325	48.400	48.050	1,490	39
Dec	48.050	-0.200	49.100	49.000	1,230	23
Total					32,203	5,247

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	55.425	-0.825	55.750	54.850	646	590
May	56.850	-0.900	56.850	56.100	5,586	1,633
Jul	57.000	-0.875	57.200	56.300	2,369	391
Aug	54.050	-0.700	54.500	54.050	483	45
Feb	58.975	+0.225	58.975	59.000	15	1
Mar	60.000	-	-	-	1	1
Total					9,981	2,880

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	27	58	38	52
1300	17	46	54	66
1325	11	37	72	81
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
1850	50	85	34	53
1900	27	60	61	77
1950	13	41	97	107
■ COFFEE LCE	**May**	**Jul**	**May**	**Jul**
1200	47	89	36	58
1250	26	49	65	88
1300	14	33	103	122
■ COCOA LCE	**May**	**Jul**	**May**	**Jul**
900	39	62	28	39
925	28	49	42	51
950	10	39	58	66
■ BRENT CRUDE IPE	**Apr**	**May**	**Apr**	**May**
1500	-	-	7	30
1350	28	-	20	45
1400	12	43	52	61

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$12.90-2.93w	+0.14
Brent Blend (dated)	$13.56-3.58	+0.135
Brent Blend (Apr)	$13.65-3.67	+0.135
W.T.I. (1pm est)	$14.77-4.79	+0.12

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$154-156	
Gas Oil	$146-148	+0.5
Heavy Fuel Oil	$81-82	-0.5
Naphtha	$136-138	+1
Jet Fuel	$160-162	

Petroleum Argus Estimates

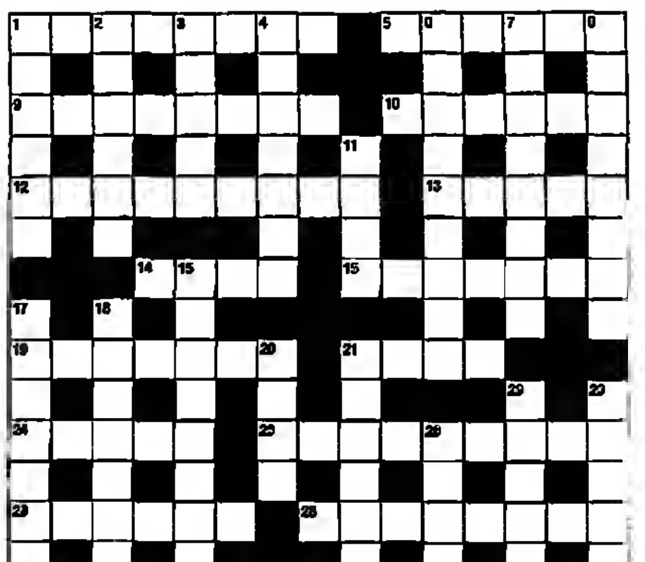
■ OTHER

Gold (per troy oz)♣	$375.75	-5.55
Silver (per troy oz)♣	524.5c	-12
Platinum (per troy oz.)	$386.50	-6.25
Palladium (per troy oz.)	$135.10	-0.15
Copper (US prod.)	92.00c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.50r	-0.05
Tin (New York)	252.50c	-1.0
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.87p	+0.64*
Sheep (live weight)†♠	120.07p	+0.81*
Pigs (live weight)	80.96p	+8.58*
Lon. day sugar (raw)	$285.1	-0.7
Lon. day sugar (wte)	$332.0	+1
Tate & Lyle export	£303.0	-1
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£143.5	
Rubber (Apr)♥	66.25p	
Rubber (May)♥	65.50p	
Rubber(KL RSS No1 Apr)	241.00m	
Coconut Oil (Phil)§	$560.0x	-5
Palm Oil (Malay.)§	$367.5t	
Copra (Phil)§	$365.0	
Soyabeans (US)	£198.0	
Cotton Outlook A Index	82.65c	
Wooltops (64s Super)	373p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Apr. t Jul/Sep. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,394 Set by HIGHLANDER



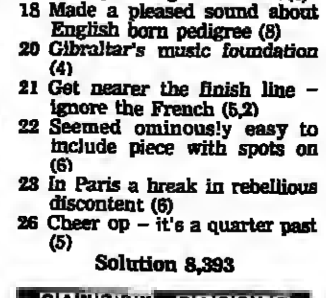
ACROSS

1 Girl in taxi is supplying drug (8)
5 Those carrying on a trade say it's a gripping tool (6)
9 Local head of state guillotined (8)
10 Terrified oriental chief by the way (6)
12 Restrains the way charges are added on (9)
13 Travels in the Loire valley (5)
14 Dig in front of staff parking area (4)
16 Seen with pimples (7)
19 Apart from being down (7)
21 Refuses to acknowledge reductions (4)
24 Old game corrupted Greek character (5)
25 Stop operating in cold snow drifting round top of Exmoor (5,4)
27 Short sailor given rugby training (6)
28 Possibly not below zero? (8)
29 Checks car on the way back (6)
30 Description of hatting – before and after (4-4)

DOWN

1 Church with capital provides this type of plate (6)
2 Japanese play with arrogance: time to stop the game (2,4)
3 A birch made of aluminium coloured over (5)
4 Fired for editing broadcast (7)
6 Time to go to bed – lungs on strike (6,3)
7 Remove girl with acute disorder (8)
8 Reserve place on A team (3,5)
11 Reqnests barrels without a top on (4)
15 VIP welcome for northern racecourse favourite (3,6)
17 Survey finds gold in canal (8)
18 Made a pleased sound about English born pedigree (8)
20 Gibraltar's music foundation (4)
21 Get nearer the finish line – ignore the French (5,2)
22 Seemed ominously easy to include piece with spots on (6)
23 In Paris a break in rebellious discontent (6)
26 Cheer up – it's a quarter past (5)

Solution 8,393



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Share losses cut back sharply as bonds rally

By Terry Byland, UK Stock Market Editor

Tha dramatic turnround in the government bond market belped UK equities rally strongly yesterday from substantial losses suffered in early trading. The final hour of business saw London outperform a general recovery by markets in France and Germany as hope revived for a rate cut from the Bundesbank, perhaps today. The FT-SE 100 Index closed 22.5 down at 3,248.1, having fallen to 3,195.7 at the height of the trading drama.

Bargain hunting by the institutions and short-covering by market-makers belped the share price rally in London which was also encouraged by a steadier trend on Wall Street in early dealings. Although somewhat more confident on European interest rate prospects, traders remained nervous of a further tightening of credit policy by the US Federal Reserve.

Equity prices were hit hard at the beginning of the session when European bond markets collapsed on news that German M3 money supply had soared by more than 20 per cent in January – far above the worst of market forecasts and a serious blow to interest rate hopes.

The Footsie plunged, driven down by widening discounts on stock index futures. By mid-morning, the Footsie was nearly 75 points down. The surge in German money supply was seen as threatening chances of a further cut in rates by the Bundesbank, and raised fears that inflation may be on the march again in Europe.

The market rallied when the Footsie 3,200 mark was pierced, but recovery was very slight as London saw that the Standard & Poor's futures contract was signalling a weak start on Wall Street.

New York duly came in lower and extended its fall to around 50 Dow points in early trading. But London appeared to hava already disengaged itself from the Dow average to some extent even before the US bond and equity markets rallied. By the London close, when the Dow's drop had been cut to 22 points following publication of economic data, and London bonds had staged their powerful recovery, UK stocks looked surprisingly confident.

Stock index futures extended the recovery in later, unofficial, trading, holding out the prospect of a firm opening in equities today.

The rally was focused on the blue chip stocks, and the FT-SE Mid 250 Index was left to languish at a closing level of 3,901.8, a loss of 42.8 on the day.

Once again, trading volume, as measured by the Seaq network, was modest, at 763m shares compared with 720.8m on Tuesday. Selling pressure bas not been heavy in equities during the latest market setback, although some securities houses are believed to have suffered heavy losses in gilt-edged securities.

There have been signs this week that the institutions have picked np cheap stock in the equity market. Retail, or customer, business was worth £1.73bn on Tuesday, well at the higher end of daily averages.

James Capel, London's largest agency broker, repeated its view that equities should be bought, drawing parallels with market experience in the 1980s and pointing out that shares did well then in spite of rises in bond rates because earnings recovered.

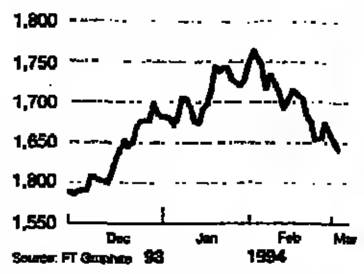
At Kleinwort Benson, Mr Albert Edwards said that, while London had much to fear in the short term from further tightening by the US Federal Reserve Board, it was still likely that rates would be reduced in Europe in order to stimulate economic recovery.

Account Dealing Dates

*First Dealings: Feb 14	Feb 28	Mar 14
Option Declarations: Feb 24	Mar 10	Mar 24
Last Dealings: Feb 25	Mar 11	Mar 25
Account Day: Mar 7	Mar 21	Apr 5

*New time dealings may take place from two business days earlier.

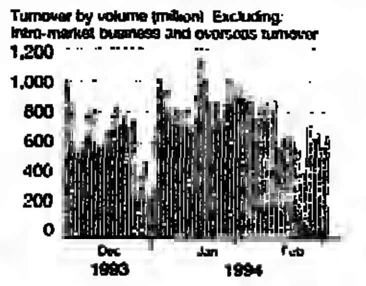
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3248.1	-22.5	FT Ordinary index	2531.8	-4.2
FT-SE Mid 250	3901.8	-42.8	FT-SE-A Non Fins p/e	22.14	(22.28)
FT-SE-A 350	1647.9	-13.0	FT-SE 100 Fut Mar	3227.0	-24.0
FT-SE-A All-Share	1640.13	-13.0	10 yr Gilt yield	7.05	(7.31)
FT-SE-A All-Share yield	3.51	(3.48)	Long gilt/equity yld ratio:	2.16	(2.15)

Best performing sectors

1 Tobacco .... +3.6
2 Spirits, Wines & Cider .... +1.1
3 Leisure & Hotels .... +0.3
4 Retailers, Food .... +0.2
5 Consumer Goods .... +0.1

Worst performing sectors

1 Merchant Banks .... -3.6
2 Other Financial .... -2.3
3 Water .... -2.3
4 Extractive Inds .... -2.1
5 Property .... -1.8

Pressure on bank sector

Financial sectors again took the brunt of the downside pressure in the market as market-makers responded to yet more scare stories that the big clearing banks, investment banks and other financial institutions have had to absorb heavy losses on market trading operations during the latest sharp setback in bond and equity markets. However, dealers pointed out that these sectors would also respond sharply to any return of confidence in international markets.

The most damaging of the scare stories concerned one of the US investment banks and was largely discounted around the trading desks, but there remained lingering worries that plunging gilts and bonds have wrought havoc at some of the big international trading firms.

The clearing banks, exposed to bond markets via treasury operations, took a substantial hit shortly after the opening when marketmakers chopped prices to head off any attempted selling in the wake of the German money supply figures. Similarly, merchant banks and financial services stocks were given a mauling as dealers pre-empted selling.

The latest slide on the Hong Kong market exacerbated the weakness in the two Far Eastern-influenced banks, HSBC and Standard Chartered, the latter closing a further 29 off at 1130p, after tonching 1115p, and the former 24 cheaper at 844p, after 828p.

National Westminster Bank, whose shares plunged after the disappointing dividend news last week, was in the forefront of the market rally, ending a net 4 ahead at 489p, closely followed by Abbey National, a fraction up on the day at 490p.

Among the UK merchant banks, S.G. Warburg, one of the UK'a largest biggest bond and equity market dealing firms, dropped to 849p before finishing 34 down on balance at 854p.

Schroders non-voting shares, also viewed as a possibla candidate to drop out of the FT-SE 100 when the FT-SE Steering Committee meets next Wednesday, gave up 40 to 1113p. Close Brothers dropped 35 to 455p but Kleinwort Benson held up well to end only 5 cheaper at 550p. Smitb New Court, the independent securities house and London's biggest market-making firm, lost 8 to 402p.

Discount houses showed Gerrard & National and Cater Allen down 30 apiece at 410p and 570p respectively. Commercial Union was the best of the composite insurers, closing 3 firmer at 609p.

Leisures active

Leisure stocks were among the market's best performers as dealers pointed to tbe recovery potential of the sector amid speculation of further cuts in UK interest rates.

Forte, the sector's favourite blue chip, was firm all day, helped by good UK tourism figures for 1993 and higher predictions for 1994.

There was also renewed speculation over the botel group's intentions with regard to the Savoy Group, in which Forte holds a majority stake but only minority control. Rumours that Forte is willing to listen to offers for its 69 per cent stake in Savoy were dismissed by leisure analysts yesterday, who pointed out that Forte had spent much time and effort edging towards gaining control of the luxury chain.

They also said that, with Savoy in closed season, a move by Forte, which has board representation, could have regulatory implications. However, the talk did lead some observers to conclude that the long-running battle over Savoy might be drawing to a close. Forte gained 5 at 264p, while Savoy fell 13 to 1050p.

Multimedia considerations were again cited as the power behind Thorn EMI, 10 higher at 1092p, and Carlton Commnnications, 6 ahead at 933p. US aupport was said to have helped Rank Organisation rise 10¼ to 1081½p.

Ladbroke shares beld firm before fading in late trading to end 2½ off at 209p. Although a dividend cut with today's results announcement is widely discounted, the overall trading picture is expected to be brighter.

A rumour that the group would report the sale of its Texas bome improvement chain, with Tesco one suggested buyer, found few supporters among food and leisure analysts. Tesco steadied at 226½p.

The profits recovery in engineering group Vickers had been discounted and the shares closed 9 lighter at 183p.

The company reported profits of £32.3m, against a previous loss of £36.6m. Several brokers increased their current-year profits estimates, including Strauss Turnbull which upgraded its forecast by £10m to £42m. NatWest Securities called the shares "a fully valued recovery play".

Figures from GKN were also in line with market expectations and the shares recovered from early weakness to finisb just a penny down ot 536p.

GKN signalled continued weakness in its European markets and that sentiment hit Laird Group. The stock fell 17½ to 387¼p.

Reports that Vosper Thornycroft was in talks about acquiring the Swan Hunter shipyard left tbe shares 3 cheaper at 798p. The Tyneside shipyard has been in receivership since last May and a French shipbuilder indicated last montb that it planned to make an offer for it.

International mining group RTZ surrendered 21 to 846p, with Smith New Court said to have advised investors to sell the stock.

Shares in Clayton Son & Co. which reported a past year's loss of £1.068m, surged ahead 14 to 127p after it announced an agreed bid.

CRH, tha Irish-based building materials group and the first of the big companies to report, succumbed to the general market malaise, the shares sliding 9 to 374p. However, analysts said the group's profits were at the very top end of market expectations, as was the dividend.

UBS was taking a positive view oo the stores sector, emphasising those retailers with large market shares particularly in sectors where there is overcapacity in supply markets. Among these, Boots slipped 5 to 527p and Storehouse 3 to 233p.

The drinks sector bounced back from Tuesday's weakness. Boddingtoo produced good results and the shares steadied at 275p. Bass rose 6 to 524p and Grand Metropolitan 13½ to 481½p. Whitbread, however, suffered from continued concern over the threat of imports by telephone from France, sliding 11 to 543p.

Business services group BET relinquished 5 to 134p after Charterhouse Tilney downgraded current-year profits expectations. The broker reduced its forecast by £6m to £91m. Volume was 5.5m at the close.

Nervous trading in Cookson ahead of tomorrow's figures left the shares 7 lighter at 253p.

Britisb Petroleum was the market's most beavily traded stock, the shares slipping to 347p at ooe point amid talk of renewed selling from the US, before stabilising and closing a net 6¼ off at 352½p; 12m shares changed hands during the day.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (25).
BREWERIES (1) Grosvenor Inns, BUILDING & CNSTRN (1) Bed Bros., BLDG MATLS & MCHTS (2) Grafton, Hewetson, CHEMICALS (1) Croda Int'l., DISTRIBUTORS (1) Norbain, ENGINEERING (2) Morris Ashby, Wagon Ind'l., ENG, VEHICLES (1) ERF, EXTRACTIVE INDS (2) Caledonia Mining, Gencor, FOOD MANUF (1) Daniels (S), HEALTH CARE (1) Isotron, HOUSEHOLD GOODS (1) Delaney, LEISURE & HOTELS (2) Manchester United, Stanley Leisure, MEDIA (1) Telegraph, OIL EXPLORATION & PROD (1) Ohio Resources, PRTNG, PAPER & PACKG (1) Delyn, PROPERTY (1) City Site Estates, SUPPORT SERVS (4) CRT, Computer People, Serco, Stat-Plus, TEXTILES & APPAREL (1) Usher (F), AMERICANS (1) Sun Co.
NEW LOWS (26).
GILTS (12) ENGINEERING (1) Beauford, ENG, VEHICLES (1) Benson, INSURANCE (1) American Gen. Corp., INVESTMENT TRUSTS (5) Baring Emrg. Euro. Do Wrts., Kleinwort 2nd Endw. Policy, Murray Entr. Wrts., Thornton Pan-Euro Zero Div Pf., INVESTMENT COMPANIES (1) East German Tst., OTHER FINANCIAL (1) Woodchester, RETAILERS, GENERAL (1) Brown & Jackson, AMERICANS (3) FPL, Houston Inds., NYNEX.

EQUITY FUTURES AND OPTIONS TRADING

A recovery in the bond markets helped stock index futures to reverse an earlier slide after the March FT-SE 100 contract crashed through the 3,200 support level, writes Joel Kibazo.

After a volatile session, the March contract closed at 3,227, having touched a low for the day of 3,163 at an 11-point discount to the underlying cash market. Turnover was high, reaching 35,441 contracts.

Dealers attributed the recovery to short-covering from independent (local) traders and further gains in after-hours trading indicated that a strong rally was likely to occur today.

Early in the session, March tumbled in hectic trading after European bond markets fell sharply on higher than anticipated German money supply figures.

The FT-SE Mid 250 futures contract on the Liffe ended at 3,239 on volume of 971 lots and the same contract dealt on the OMLX finished at 3,901.8 on 58 lots traded.

The traded options sector was also busy and turnover rose to 67,008 contracts. Most of the activity was in the FT-SE 100 option, which saw 40,277 lots dealt.

BT was tha busiest stock option with a total of 3,455 contracts transacted, followed by Land Securities with 1,743. Barclays and Abbey National were also active.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3225.0	3227.0	-24.0	3256.0	3163.0	35441	57974
Jun	3238.0	3239.0	-25.0	3260.0	3180.0	1015	15857
Sep	-	3250.0	-25.0	-	-	-	490

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point March 1

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3960.0	3933.0		3964.0	3932.0	626	370

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3920.0	3902.5	-17.5	3920.0	3865.0	58	2,887
Jun		3915.0	-	-	-	-	-

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3248) £10 per full index point

	3000 C	3000 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P
Mar	190	9½	146	17	107	25½	70	42	42½	66½	23½	98	12	138	5	182
Apr	202	28½	165	41	130	55	100	75	72	97½	52	127½	35	160	22½	197½
May	230½	47½	193½	60	157½	75	129	95½	100	117	78	145½	57	174½	42½	210
Jun	244	60	207½	72	176	89½	145½	109½	117	130	95½	159	76	188	58½	222
Dec†			283	125			221	160½			171	208			125	262

Calls 17,956 Puts 23,348

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075		3125		3175		3225		3275		3325		3375		3425	
Mar	161½	14	121½	23	84½	33	54½	53	32½	79½	16	114½	8½	156½	3½	202½
Apr	182½	33	145½	45	112½	62½	84	83½	60	109	41	109	29½	175	16½	214½
May			172	84			112	102½			86	155½			34	222½
Jun			168½	77			130½	117			85	170½			82	235½
Sep†			230	98½			171½	138			123	186½			84½	245½

Calls 556 Puts 966 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4050		4100		4150		4200		4250	
Mar	34½	74½	18½	108½	8	148½	4	194	1	240	½	587½	½		½	
Apr	70	105½	51	137½	38	171	24½	207½	18	350	9½	292½	5		2½	

Calls 8 Puts 78 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Mar 2	Day's chge%	Mar 1	Feb 28	Feb 25	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3248.1	-0.7	3270.6	3328.1	3281.2	2918.6	3.70	5.67	21.51	10.46	1194.19
FT-SE Mid 250	3901.8	-1.1	3944.8	3960.0	3919.9	3077.9	3.16	4.94	24.92	11.37	1419.47
FT-SE Mid 250 ex Inv Trusts	3917.5	-1.1	3959.5	3972.9	3932.5	3089.4	3.25	5.28	23.51	11.26	1420.51
FT-SE-A 350	1647.9	-0.8	1660.9	1684.8	1662.6	1438.0	3.57	6.50	22.22	6.18	1240.67
FT-SE SmallCap	2021.92	-0.8	2038.78	2043.99	2039.34	1549.02	2.73	3.46	36.85	5.67	1538.30
FT-SE SmallCap ex Inv Trusts	2004.94	-0.7	2018.53	2022.63	2018.86	1553.00	2.86	3.79	34.40	5.23	1527.63
FT-SE-A ALL-SHARE	1640.13	-0.8	1653.18	1675.49	1654.67	1419.72	3.51	5.35	22.86	5.13	1256.63

■ FT-SE Actuaries All-Share

	Mar 2	Day's chge%	Mar 1	Feb 28	Feb 25	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2531.51	-1.5	2569.48	2589.63	2551.18	2137.00	3.57	4.92	26.14	4.90	989.77
12 Extractive Industries(4)	3893.75	-2.1	3978.07	3930.51	3819.11	3196.70	3.20	4.70	25.20	0.00	1047.83
15 Oil, Integrated(3)	2443.01	-1.4	2477.24	2509.46	2481.76	2012.40	3.89	5.06	24.52	6.35	874.41
16 Oil Exploration & Prod(11)	1865.66	-0.8	1881.61	1880.71	1851.14	2049.00	3.20	3.85	33.38	0.00	1057.93
20 GEN MANUFACTURERS(284)	2118.04	-0.8	2135.48	2156.73	2136.20	1738.00	3.49	3.83	33.89	4.39	1049.43
21 Building & Construction(31)	1501.07	-0.9	1514.08	1521.81	1500.54	915.30	2.36	1.30	80.00†	2.18	1150.01
22 Building Matls & Merchs(30)	2247.57	-0.4	2257.52	2270.66	2246.18	1517.30	3.16	2.59	53.04	1.14	1029.61
23 Chemicals(20)	2382.59	-1.1	2408.67	2422.47	2393.03	2187.50	3.88	4.77	26.38	0.62	1023.96
24 Diversified Industrials(16)	2061.92	-1.0	2082.31	2119.65	2100.25	1898.20	4.31	4.32	30.04	10.94	1024.54
25 Electronic & Elect Equip(34)	2090.89	-0.6	2104.03	2130.26	2112.75	1871.50	3.52	5.82	20.91	2.28	994.16
26 Engineering(72)	1928.76	-1.2	1951.48	1967.56	1951.87	1453.60	2.82	2.91	47.00	4.06	1078.83
27 Engineering, Vehicles(12)	2371.90	-1.1	2397.40	2392.87	2366.21	1828.70	4.39	3.26	42.93	0.29	1115.03
28 Printing, Paper & Pckg(27)	2984.32	-1.1	2998.78	3018.96	2985.42	2315.30	2.74	4.17	29.04	1.60	1138.80
29 Textiles & Apparel(22)	1912.79	-0.8	1928.86	1958.42	1925.63	1856.60	3.42	5.17	24.18	1.32	1054.00
30 CONSUMER GOODS(93)	2899.03	+0.1	2898.78	2931.28	2904.38	2908.70	3.96	6.78	17.40	13.47	969.28
31 Breweries(17)	2239.16	-0.3	2245.66	2283.03	2257.01	2115.90	4.06	7.66	16.05	6.84	981.15
32 Spirits, Wines & Ciders(10)	3140.11	+1.1	3104.44	3164.15	3114.54	2841.50	3.37	5.84	20.00	19.83	1028.94
33 Food Manufacturers(23)	2395.62	-0.5	2407.34	2437.27	2406.31	2478.20	3.92	7.03	16.85	2.95	975.36
34 Household Goods(12)	2856.27	-1.0	2885.78	2889.72	2873.33	2419.10	3.00	6.42	18.03	0.00	997.50
36 Health Care(20)	1838.29	-0.3	1844.30	1846.53	1836.58	1814.60	2.93	5.12	23.05	1.46	1041.69
37 Pharmaceuticals(10)	3084.28	-1.1	3117.76	3114.38	3105.35	3330.40	4.16	8.77	17.29	24.70	955.53
38 Tobacco(1)	4030.96	+3.6	3882.54	4035.16	4009.96	4006.90	4.99	7.89	14.77	0.00	868.11
40 SERVICES(219)	2079.56	-0.8	2091.24	2113.57	2085.93	1807.20	2.87	5.42	22.45	4.12	988.21
41 Distributors(31)	3094.61	-0.1	3099.23	3123.24	3102.15	2566.90	2.74	4.87	24.83	1.48	1045.98
42 Leisure & Hotels(22)	2298.45	+0.3	2290.65	2312.29	2300.64	1790.50	3.49	4.96	24.24	11.63	1112.69
43 Media(38)	3199.06	-0.9	3228.57	3262.53	3230.43	2240.20	1.96	4.07	29.29	4.66	1089.99
44 Retailers, Food(17)	1603.77	+0.2	1601.38	1629.54	1588.54	2095.18	3.85	6.96	12.46	1.86	931.29
45 Retailers, General(43)	1737.74	-1.0	1755.26	1776.69	1747.77	1483.30	2.74	5.33	23.52	4.16	909.09
48 Support Services(40)	1736.71	-1.3	1759.17	1770.17	1757.90	1553.50	2.27	8.57	17.40	1.16	1035.79
49 Transport(16)	2620.17	-0.4	2630.80	2649.05	2610.88	2061.70	3.20	3.46	33.54	8.16	1004.92
51 Other Services & Business(12)	1312.20	-0.6	1319.66	1322.81	1320.47	1330.30	3.62	3.30	42.81	0.72	1104.27
60 UTILITIES(36)	2500.51	-0.8	2519.49	2537.35	2491.58	2139.30	4.00	6.67	17.70	5.60	935.16
62 Electricity(17)	2402.05	-1.0	2425.98	2432.77	2386.42	1674.80	3.45	10.30	11.93	15.85	970.15
64 Gas Distribution(2)	2107.40	-0.6	2120.94	2148.48	2116.38	2003.20	5.68	‡	‡	0.00	931.11
66 Telecommunications(4)	2212.67	-0.2	2216.03	2238.46	2190.96	2015.20	3.57	5.47	22.30	8.09	920.27
68 Water(13)	1895.25	-2.3	1940.46	1941.69	1926.16	1773.00	4.88	13.41	8.77	3.48	911.69
69 NON-FINANCIALS(630)	1762.94	-0.8	1774.13	1791.59	1769.62	1558.31	3.54	5.53	22.14	4.67	1213.31
70 FINANCIALS(105)	2384.22	-1.4	2416.06	2499.41	2464.12	1869.40	3.69	5.16	23.90	13.04	918.08
71 Banks(10)	3038.14	-1.9	3087.96	3245.48	3190.34	2330.60	3.44	4.96	25.31	22.08	885.68
73 Insurance(18)	1398.98	-0.4	1402.78	1432.03	1414.17	1335.90	4.57	7.88	15.21	9.04	927.78
74 Life Assurance(6)	2603.41	....	2602.29	2019.56	2604.70	2549.50	4.48	4.67	26.94	0.00	956.47
75 Merchant Banks(6)	3100.87	-3.6	3214.99	3277.57	3271.87	2275.70	2.92	7.04	17.40	10.07	911.87
77 Other Financial(25)	2005.81	-2.3	2053.50	2081.96	2086.40	1359.50	3.22	5.40	23.31	10.16	1047.03
79 Property(40)	1766.78	-1.8	1798.40	1802.08	1765.74	1139.90	3.48	3.17	41.83	2.80	995.16
80 INVESTMENT TRUSTS(119)	2933.70	-1.4	2975.43	2997.75	2973.94	2255.00	2.18	1.75	57.18	10.18	972.53
89 FT-SE-A ALL-SHARE(854)	1640.16	-0.8	1653.13	1675.49	1654.67	1418.72	3.51	5.35	22.86	5.13	1256.63

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.16	High/day	Low/day
FT-SE 100	3255.3	3247.9	3225.5	3209.6	3221.2	3233.0	3220.6	3218.0	3238.4	3255.3	3195.7
FT-SE Mid 250	3932.6	3923.3	3910.4	3892.2	3896.0	3902.2	3894.8	3894.0	3899.6	3932.6	3888.0
FT-SE-A 350	1653.5	1650.0	1640.1	1632.1	1636.9	1642.1	1636.6	1635.5	1644.0	1653.8	1626.3

Time of FT-SE 100 High 09:30 Low 10:45

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1447.3	1441.2	1436.5	1431.5	1430.0	1435.6	1435.1	1436.3	1436.9	1439.5	1451.7	-12.2
Pharmaceuticls	3092.2	3089.8	3072.9	3051.7	3049.5	3051.4	3038.7	3035.1	3045.8	3054.0	3087.5	-33.5
Water	1929.7	1918.9	1897.2	1881.6	1890.5	1897.5	1893.6	1892.9	1893.0	1891.1	1936.8	-45.7
Banks	3113.4	3089.9	3036.2	3002.5	3039.8	3059.5	3033.7	3032.7	3063.1	3075.4	3125.6	-50.2

[illegible]

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	8,100	58¼	+½
Abbey National†	7,800	490	+1
Albert Fisher	100	66½	-½
Allied-Lyons†	1,300	622	+3
Anglian Water†	1,200	520	-12
Argos	793	349	-4
Argyll Group†	8,200	247	-1
Arjo Wiggins†	4,100	285	-8
Assoc. Brit. Foods†	425	556½	+½
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct	Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Allied-Lyons	600	34	44	54	11½	29½	36	Hanson	260	16½	21	25	6½	11	14½
(*618)	650	10½	30½	31½	39	58½	65½	(*268)	280	7½	11½	15	15	21½	25
Argyll	240	17	24	27	10½	20½	23	Lasmo	130	15½	21	25½	6½	14	16
(*245)	260	8	14½	18	22½	32½	35	(*126)	150	18	18	20½	14½	18	23½
[illegible]								[illegible]							

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	68	6
Other Fixed Interest	0	15	0
Mineral Extraction	22	104	81
General Manufactures	41	303	338
Consumer Goods	19	89	85
Services	34	223	264
Utilities	2	42	2
Financials	16	233	139
Investment Trusts	4	382	76
Others	16	65	21
Totals	156	1,544	1012

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 4	Last Declarations	June 2
Last Dealings	March 21	For settlement	June 13

Calls: Aminex, Avesco, Carlisle Grp, Caverdale, Firth (GM), Greycoat, Mosaic Inv, Tadpole Tech. Puts: Eurotunnel. Puts & Calls: HSBC, Phonelink.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
140	F.P.	253.0	178	163	Alpha Airports	168		RN4.03	2.2	3.8	19.2
150	F.P.	101.3	149	140	Chiroscience	149		-	-	-	-
124	F.P.	24.8	186	146	Clinical Computing	153	-3	-	-	-	24.4
235	F.P.	67.7	268	250	Coda	258	-2	WN2.0	4.5	1.0	26.9
§90	F.P.	5.34	173	108	Comp Fin Sol	135	-5	N-	-	-	21.8
50	F.P.	131.6	50	47	Edin New Tiger	47	-1½	-	-	-	-
50	P.P.	10.4	58	55	Energy Capital	56		-	-	-	-
-	-	1.01	20	4	Do Warrants	28		-	-	-	-
150	F.P.	32.2	155	130	Finelist	148		R3.3	2.3	2.8	16.2
-	F.P.	2.45	102	98	Fleming Japan C	98	-2	-	-	-	-
-	F.P.	51.5	74	66¾	Guangdong Dvlpt	67½		-	-	-	-
-	F.P.	4.87	29½	18½	Do Warrants	26¾	+¼	-	-	-	-
100	F.P.	64.3	102	94	Herald Inv Tst	99	-1	-	-	-	-
-	F.P.	6.24	51	45	Do Warrants	48		-	-	-	-
50	P.P.	455.0	48	40½	Kleinwort Euro Pvt	41	-½	-	-	-	-
-	F.P.	39.0	49	37	Do Warrants	38		-	-	-	-
50	F.P.	20.4	52	49	Mithras Inv Tst	51		-	-	-	-
-	F.P.	2.08	28	25	Do Warrants	26		-	-	-	-
110	F.P.	34.8	126	117	Parkside Intl	117	-3	RN3.0	1.5	3.2	23.8
125	F.P.	19.7	133	125	Radstone Tech	138	-3	R3.0	2.4	2.9	16.2
§120	F.P.	13.2	148	122	Slimma	140		R3.7	2.5	3.3	14.8
100	F.P.	40.0	98	88	Taiwan Inv	89	-1	-	-	-	-
-	F.P.	3.60	52	40	Do Warrants	40	-2	-	-	-	-
200	F.P.	33.4	218	211	Trifast	211	-1	R5.8	2.2	3.3	17.4
118	F.P.	56.5	140	131	Tring Intl	133	-5	RN3.6	2.1	3.8	15.8

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94	
-	F.P.	-	130p	119½p	Carlton Comm. 5.5p Cv Pf.	122p	-1½
-	P.P.	14/3	56ppm	30ppm	GKN Units Cv Ln '94/99	30ppm	-1
100	F.P.	-	101¼p	98¾p	Shoprite 7⅞pc Prf 2009	99p	-1
-	F.P.	-	131	107	Witan 6¼pc Bds	123½	

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
20	Nil	11/3	38pm	3pm	Beauford	4pm	+½
92	Nil	11/4	12pm	11pm	Burford	11pm	-1
12	Nil	13/4	12½pm	10pm	Firth (GM)	12½pm	+½
120	Nil	21/3	45pm	33pm	Grosvenor Inns	43pm	-1

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Mar 2	Mar 1	Feb 28	Feb 25	Feb 24	Yr ago	*High	*Low
Ordinary Share	2531.8	2536.0	2564.1	2535.9	2528.1	2264.4	2713.6	2124.7
Ord. div. yield	3.68	3.67	3.63	3.67	3.67	4.30	4.52	3.43
Earn. yld. % full	4.91	4.90	4.84	4.90	4.90	5.96	6.38	3.82
P/E ratio net	22.10	22.14	22.40	22.15	22.15	20.99	39.43	19.40
P/E ratio nil	23.04	23.08	23.35	23.09	23.08	19.40	30.80	18.14

*For 1993/94. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	-⅜	£25¾	£18¼	6,358	4.8	12.1
ANZ A$		238½	-11	278¾	130	3,130	3.8	10.6
Abbey National	gN□	480	+1	524	345	6,428	3.6	18.1
Allied Irish I£	♣□	256xd	-7	314	179	1,898	4.9	♣
Anglo Irish I£	M□	65	-3	*70	25	146.4	7.2	11.0
Asahi Y		709½	-41	846	415	16,468	0.7	–
Banco Bil Viz Pta		£14⅝	-1⅞	£17⅞	£13⅜	3,378	5.6	8.6
Banco Sant Pta		£34⅝	–	[illegible]	£24¾	3,847	6.9	13.2
Bank Leumi (UK)		430xd	-30	490	325	35.2	5.0	♣
Bk Ireland I£	♣u□	281	-7	*319	177	1,236	4.8	19.2
Bank Scotland	♣†□	212	-6	247	118½	2,467	2.8	20.8
9¼pc Pf		121½	-¼	141½	117¾	131.5	8.8	–
9¼pc Pf		138	-¼	148½	123½	138.0	8.8	–
Barclays	♣N□	629	-7	652	362	8,565	0.6	–
Dai Ichi Kan Y		£12[illegible]	-½	£15[illegible]	[illegible]	33,750	0.4	66.Y
Deutsche DM		£308½	[illegible]	£348[illegible]	£250½	14,591	2.9	–
Espirito Santo		£23¼	-½	£26¼	£18½	253.9	3.4	5.7
First Nat Fin	N□	83xd	-4	*95	45	138.4	2.3	–
6.3pc Cv Pf		87	-2	*91	65	8.65	8.1	–
7pc Cv Pf		162	-3	171	106	76.9	5.4	–
Fuji Bank Y		1432¼	-63½	1661	876	41,467	0.4	–
HSBC HK	□	865	-27	1135	474	14,765	3.5	♣
HSBC (75p Shs)	□	844	-24	1112	490	6,829	3.5	♣
Lloyds	gN□	583xd	-8	690	492	7,491	4.7	12.3
Mitsubishi Y		£13⅛	-⅞	£19¼	£11⅞	52,016	0.3	–
Mits Tst & Bk Y		854¼	-65	1027¼	452½	12,493	8.8	18.8
Mitsui Tst & Bk Y		746¼	-35	852	374	8,947	0.7	25.4
Nat Aust A$		549	-23½	620¼	322	7,205	4.3	13.3

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993/94 high	low	Yld Gr's	NAV	Dis or Pm(-)
Paribas French	□	134½	-5	180	88	1.1	138.9	3.2
Perpetual Japan	□	112	-3	118	83	-	109.2	-2.5
Warrants	□	75	-3	86	37	-	-	-
Personal Assets	†	182¼	-¼	£94	£76½	2.0	8071.8	-1.2
Pilot Inv	Z□	148	—	169	86	0.4	141.1	-3.4
Warrants	□	67	+½	69	21	-	-	-
C	□	118	—	177	100	-	109.4	-.5
Princedom		271	—	283	157	2.1	319.6	15.2
RIT Capital	□	176	-3	189	109	6.6	221.9	20.7
2½pc Cv Ln 2000		2178xd	-1½	£186½	£100½	1.4	-	-
Radiotrust	□	85	-3	88	47	-	73.0	-14.1
Rights & Iss Inc		155xd	—	164	114	7.8	-	-
Cap		468xd	-7	535	303	2.2	551.7	15.2
Riv & Merc Am Inc		116	-1	121	109	8.4	-	-
Cap	□	33½	-½	38	21	-	45.6	26.5
Warrants		15½	-½	17	11	-	-	-
Riv & Mer Ext	N□	140xd	-2	147	87	7.8	131.0	-5.9
Warrants		40	-2	48	13	-	-	-
Zero Div Pf		118¼	-½	118½	123	-	-	-
Riv & Mer Geared		93xd	-1	116	81	10.1	-	-
Prfd Cap 1999		28½	-½	33	18	-	39.1	27.1
Riv & Merc Smllr	N□	151xd	-1	170	95	3.3	156.0	3.2
Warrants		61	-3	77	22	-	-	-
Riv & Merc Tst Inc	□	116xd	-1	127	106	9.9	-	-
Cap	□	145	-2	160	85	-	225.7	42.5
Warrants		34	-1	46	0	-	-	-
Do. Stpd Prf	N	168¼	-¼	163	147	4.4	-	-
River Plate Inc	N□	107	—	116	98	19.4	-	-
Cap		100	-5	118	28	-	187.0	46.7
Warrants		0	-1	11	1	-	-	-
Zero Div Pf		34	-¼	85¼	77¼	-	-	-
St Andrew		338	—	343	214	2.9	351.8	3.8
St David's Inc	N	124xd	-2	158	123	14.8	-	-
Cap		198	-3	223	78	-	338.0	41.4
Zero Prf		148½	-½	181½	131	-	-	-
SPLIT Inc	M	180	—	270	170	24.5	-	-
Cap		1130	-15	1235	620	-	1430.4	21.8
Schroder Korea Fund		1053¼	-6½	1112¼	481	0.1	-	-
Warrants		643¼	-3½	650½	180	-	-	-
Schroder Split Inc	□	120xd	-1	127	102	7.8	-	-
Capital	□	25	-½	37	10	-	130.3	78.5

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£17¼	—	£19½	21½	1,090	4.0	14.6
Barlow		84¼	+⅛	95¾	£3¾	797.7	8.0	7.4
Gold Fields SA R		£13¾xd	-⅛	£18	£7¼	1,290	5.0	22.5
MK Props.		88	—	67	68	3.64	10.1	36.2
SASOL	♥	330	+16	337	215	1,880	4.7	-
SA Brews		£11⅜	+⅜	£15⅜	£7⅜	8,437	2.3	19.7
Tiger Oats		738	+25	838	513	1,108	2.2	15.6
Tongaat-Hulett	†	489	-2	522	212	361.8	3.2	13.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
‡ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
e Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT7351. (If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822) Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Royal Liver Assurance - Contd.

[illegible]

Scottish Amicable

[illegible]

Scottish Equitable plc

[illegible]

Scottish Life Investments

[illegible]

Scottish Mutual Assurance plc

[illegible]

Scottish Provident Group

[illegible]

Scottish Widows' Group

[illegible]

Skandia Life Assurance Co Ltd

[illegible]

Skandia Life Assurance Co Ltd - Contd.

[illegible]

Standard Life Assurance Company

[illegible]

Sun Alliance Group

[illegible]

Sun Life Unit Assurance Ltd

[illegible]

Swiss Life (UK) PLC

[illegible]

Target Life Assurance Co Ltd

[illegible]

TSB Life Ltd

[illegible]

Teachers' Assurance Company Ltd

[illegible]

Templeton Life Assurance Limited

[illegible]

Tunbridge Wells Equitable

[illegible]

Windsor Life Assur Co Ltd

[illegible]

Zurich Life Assurance Co Ltd

[illegible]

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Sa

[illegible]

Allied Dunbar International Assurance Ltd

[illegible]

[illegible]

Century Life International Ltd

[illegible]

Equitable Life

[illegible]

Isle of Man Assurance Ltd

[illegible]

Professional Investment Consultants

[illegible]

Providence Capital International Ltd

[illegible]

Royal Life Intl. Ltd

[illegible]

Scottish Provident Intl Life Ass Co Ltd

[illegible]

Sun Alliance International Life

[illegible]

Sun Life International (IOM) Ltd

[illegible]

Target International Group

[illegible]

MANAGEMENT SERVICES

Capital Trust Financial Management

[illegible]

Chase de Vere PLC

[illegible]

[illegible]

J. M. Finn & Co

[illegible]

Knight Williams & Company Ltd

[illegible]

J. R. Ward Financial Services Ltd

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

[illegible]

Jardine Fleming (Bermuda) Ltd

[illegible]

Newport Investment Management

[illegible]

Orion Fund Limited

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Butterfield Fund Mngrs (Guernsey) Ltd

[illegible]

Guinness Flight Fd Mngrs (Guernsey) Ltd

[illegible]

Hambros Fd Mgrs (CI) Ltd

[illegible]

Royal Bank of Canada Offshore Fd Mgrs Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GT Asset Management - Contd.

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Unibank Scandinavian Fund Ltd

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross

Foreign & Colonial Mngmt (Jersey) Ltd

Grecco Fund Ltd

NAV Feb 28	$21.46		—	—

John Govett Management (Jersey) Ltd

INVESCO International Limited

Lloyds Bank Trust Co (CI) Mngrs

Lombard Odier (Jersey) Ltd

The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Schroder Mngt Services (Jersey) Ltd

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Commercial Union Luxembourg SA - Contd.

Gresvale Group

GB Investment Management SA

Den norske Bank

Dolphin Intl Investments

Fidelity Funds (o)

Fleming Group (o)

Foreign & Colonial Emerging Markets Ltd (o)

Jupiter Tyndall Global Fund

Lloyds Bank Luxembourg

Midland International Circuit Fund SICAV(o)

Nomura Global Fund (o)

Regent Global Fund (o)

Sarasin Investment SICAV

Schroder International Selection Fd

Templeton Global Strategic SICAV

Thornton Investment Management Ltd

S.G. Warburg Asset Mgmt Lux SA

LUXEMBOURG (REGULATED)(**)

Aetos International Umbrella Fund

Alliance Capital

Asian Development Equity Fund

Credit Suisse - Contd.

Fidelity Intl Inv Mngt (Luxembourg) SA

Global Funds Management S.A.

Lloyds Bank Luxembourg

Merrill Lynch Asset Management

Morgan Stanley Sicav

Warburg Investment Services (Lux) SA

SCI/TECH SA

Scudder, Stevens & Clark

Templeton Emerging Asia

Templeton Worldwide Investments

Unico Financial Services SA Lux

Wardley NAFT (Luxembourg) SA

World Trust Fund

Yamaichi Advanced Technology Fund

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Alliance Capital

Credit Suisse

Crystal Corporation N.V.

Gemini Management Ltd

Goldman Sachs

Global Asset Management

International Fund Administration Ltd

Jardine Fleming Intl Mngt Ltd

Putnam Emerging Funds Ltd

Quantum Group

Regent Fund Management Ltd

Republic New York Funds

Rothschild Asset Management (CI)

Royal Bank of Canada Intl Money Market Fd

Schroder Asset Management Limited

Scudder, Stevens & Clark Inc

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thailand Fund

Thornton Currency Funds

Wellington Fd Mngrs U.S. (T Fund)

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar under pressure

The dollar was again under pressure in foreign exchange markets yesterday as turmoil in financial markets dampened sentiment towards the US currency, *writes Philip Gawith.*

The immediate cause of the dollar's woes was news that German M3 had grown by 20.6 per cent in January, which quashed hopes of an early monetary easing.

The D-Mark rose against the dollar and European currencies after this news, but later fell back after profit-taking. It closed in London at DM1.7037 against the dollar from DM1.709 on Tuesday. The dollar was also weaker against the yen, closing lower at Y103.670 from Y104.615.

The pattern of recent trading continued with foreign exchange markets in a residual role reflecting the panicky behaviour in equity and bond markets rather than moving in response to any fundamental factors.

■ Although the Bundesbank had been assiduous in its efforts to discount a poor M3 number, the market was unprepared for the shock of 20.6 per cent - way above the 4-6 per cent target range for 1994 M3 money supply growth. Mr Neil MacKinnon, chief economist at Citibank, commented: "Even allowing for distortions, there is no doubt that the money supply figure was a shocker."

This was reflected in the 3-month D-Mark interest rate futures on Liffe. The December contract fell by 14 points at one stage, although it later recouped most of this fall.

London traders said US hedge funds continued to be responsible for most of the selling pressure, which was emerging in the futures markets, rather than pension funds and corporate customers.

Ms Alison Cottrell, senior international economist at Midland Global Markets, downplayed the M3 figure which she described as "laughable". She said the Bundesbank would not have eased the repo rate on Tuesday if it had been concerned by the figure.

The Midland analyst said the M3 number had merely hastened the market in the direction it was anyway moving. In this regard the US purchasing managers index on Tuesday had been more influential. "It was just the market looking for another cliff to jump off," said Ms Cottrell.

She predicted that the Bundesbank council, which meets today, would be unlikely to cut interest rates. The problem it faces is that a policy easing that cheers financial markets would almost certainly come at the expense of its own reputation and the health of the bund market.

The D-Mark was stronger against most European currencies. It finished at L990.2 against the Italian lira, from L969.8. Compared to the French franc it closed at at FFr3.408 from FFr3.403.

■ Dollar/yen continued to be influenced more by the politics of the US-Japan trade dispute than the chaos elsewhere in financial markets. The past few days have seen US officials again taking a more combative line against Japan.

The Bank of Japan was again reported buying dollars to arrest the progress of the yen, assisted apparently by the insurance arm of the Ministry of Posts and Telecommunications.

Analysts said yesterday that the dollar was victim of a fundamental reassessment underway of the outlook for interest rates. Mr Steve Hannah, head of research, at IBJ International, commented: "The recent policy moves of the Fed and Bundesbank have alerted us that we had pushed markets up to far. The markets most at risk are those where people were most optimistic at the beginning of the year."

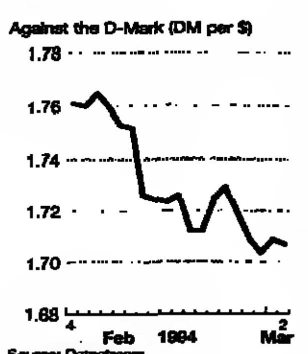
■ Sterling recovered from early losses against the D-Mark and finished at DM2.5475, up from DM2.5395 on Tuesday. Yesterday saw the monthly monetary meeting between Mr Kenneth Clarke, chancellor of exchequer, and Mr Eddie George, governor of the Bank of England. Last month the meeting heralded a 25 point cut in UK interest rates the following week.

The Treasury in its monthly report prepared for the meeting described the latest monthly indicators as "mixed but consistent with a trend of continuing recovery." Analysts said the Treasury appeared to be talking up the UK recovery as the report downplayed some recent figures that hinted at economic weakness.

Although this stance would be inconsistent with an easing of policy, last month's report was also bullish. Following the controversy which accompanied the last cut, however, the Bank was expected to proceed cautiously. Room for manoeuvre will also have been diminished by developments in Germany which have diminished the prospect there of an early lowering of rates.

■ After forecasting a fairly large shortage of £1.95bn in UK money markets yesterday, the Bank of England dealt with most of the shortage in its early round of dealing when it put £1.6bn liquidity into the market. Liquidity conditions were therefore much easier than on Tuesday when overnight rates rose as high as 20 per cent. In further operations the Bank put another £309m into the market.

Dollar



Source: Datastream

■ **Pound in New York**

Mar 2	Latest	Prev. close
£ spot	1.4945	1.4895
1 mth	1.4918	1.4875
3 mth	1.4895	1.4845
1 yr	1.4829	1.4780

■ **OTHER CURRENCIES**

Mar 2	£	$
Hungary	154.359 - 154.559	103.250 - 103.350
Iran	2598.00 - 2604.00	1748.00 - 1750.00
Kuwait	0.4439 - 0.4448	0.2969 - 0.2974
Poland	32712.1 - 32723.0	21861.0 - 21881.0
Russia	2320.25 - 2321.25	1566.50 - 1567.50
U.A.E.	5.4793 - 5.4905	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Mar 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.8974	-0.0015	907 - 041	17.9372	17.8272	17.8938	0.3	17.888	0.2	-	-	113.6
Belgium	(BFr)	52.4571	+0.1796	311 - 831	52.4112	52.2305	52.5121	-1.3	52.6171	-1.2	52.9421	-0.0	114.5
Denmark	(DKr)	9.9850	+0.0314	818 - 881	9.9893	9.9534	9.9951	-1.2	10.0159	-1.2	10.0514	-0.7	114.4
Finland	(FM)	8.3353	+0.0968	264 - 441	8.3570	8.2350	-	-	-	-	-	-	81.1
France	(FFr)	8.6815	+0.0401	785 - 844	8.6811	8.6355	8.6923	-1.5	8.7061	-1.1	8.7331	-0.6	108.0
Germany	(DM)	2.5475	+0.008	466 - 483	2.5494	2.5341	2.5504	-1.4	2.5533	-0.9	2.5554	-0.3	122.7
Greece	(Dr)	369.402	+1.097	116 - 688	371.459	367.394	-	-	-	-	-	-	-
Ireland	(I£)	1.0442	+0.0021	433 - 451	1.0448	1.0391	1.0446	-0.7	1.0464	-0.9	1.0526	-0.8	102.6
Italy	(L)	2522.02	+8.45	139 - 265	2529.38	2514.35	2528.32	-3.0	2540.62	-3.0	2589.47	-2.7	75.4
Luxembourg	(LFr)	52.4571	+0.1788	311 - 831	52.4112	52.2305	52.5121	-1.3	52.6171	-1.2	52.9421	-0.9	114.5
Netherlands	(Fl)	2.8597	+0.0074	584 - 609	2.8615	2.8450	2.8609	-0.5	2.8613	-0.2	2.8549	0.2	116.1
Norway	(NKr)	11.0634	+0.035	578 - 689	11.1242	11.0042	11.0577	0.6	11.0703	-0.2	11.0614	0.0	84.6
Portugal	(Es)	261.632	+2.325	476 - 787	262.113	259.394	262.607	-4.5	264.552	-4.5	-	-	-
Spain	(Pta)	209.622	+1.853	375 - 869	209.585	207.842	210.172	-3.7	211.372	-3.5	215.592	-2.9	94.6
Sweden	(SKr)	12.0000	+0.0763	911 - 089	12.0405	11.9215	12.0195	-2.0	12.0565	-1.9	12.1795	-1.5	75.5
Switzerland	(SFr)	2.1390	+0.0036	379 - 401	2.1461	2.1307	2.1374	0.9	2.1332	1.1	2.113	1.2	118.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.0
Ecu	-	1.3195	+0.0036	193 - 203	1.3192	1.3136	1.3211	-1.2	1.3236	-1.2	1.3287	-0.7	-
SDR	-	0.941515	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4952	+0.0104	949 - 955	1.4985	1.4841	-	-	-	-	-	-	-
Brazil	(Cr)	982.843	+20.989	664 - 022	986.000	961.000	-	-	-	-	-	-	-
Canada	(C$)	2.0273	+0.0171	266 - 280	2.0349	2.0070	2.0251	1.3	2.0213	1.2	2.0141	0.7	88.9
Mexico	(New Peso)	4.8596	+0.1371	438 - 753	4.9001	4.7840	-	-	-	-	-	-	-
USA	($)	1.4953	+0.0093	950 - 955	1.4993	1.4850	1.4934	1.5	1.4903	1.3	1.4836	0.8	66.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1238	+0.0465	227 - 249	2.1337	2.0685	2.1223	0.6	2.12	8.7	2.118	0.3	-
Hong Kong	(HK$)	11.5553	+0.0715	526 - 580	11.5851	11.4756	11.5423	1.4	11.5369	0.6	11.4878	0.6	-
India	(Rs)	46.9472	+0.3314	281 - 662	47.0830	46.6300	-	-	-	-	-	-	-
Japan	(Y)	155.013	-0.445	942 - 083	155.930	153.880	154.638	2.9	153.898	2.9	150.528	2.9	188.6
Malaysia	(M$)	4.0810	+0.0148	574 - 663	4.0707	4.0372	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6266	+0.0496	265 - 306	2.6384	2.5817	2.6315	-1.3	2.6358	-1.1	2.6444	-0.6	-
Philippines	(Peso)	41.4185	+0.2582	620 - 749	41.5160	40.9998	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6072	+0.0343	055 - 089	5.6218	5.5692	-	-	-	-	-	-	-
Singapore	(S$)	2.3610	+0.0094	599 - 621	2.3668	2.3515	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1725	+0.0331	705 - 744	5.1876	5.1373	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0016	+0.0211	929 - 102	7.0415	6.9378	-	-	-	-	-	-	-
South Korea	(Won)	1206.00	+5.53	572 - 827	1209.16	1187.80	-	-	-	-	-	-	-
Taiwan	(T$)	39.5793	+0.2003	727 - 859	39.6900	39.3100	-	-	-	-	-	-	-
Thailand	(Bt)	37.8299	+0.2192	086 - 511	37.9170	37.6000	-	-	-	-	-	-	-

†SDR rate for Mar.1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.9695	-0.0755	670 - 720	12.0405	11.8195	11.9892	-1.0	12.018	-1.8	12.063	-0.8	102.9
Belgium	(BFr)	35.0825	-0.098	710 - 940	35.2480	34.6980	35.1675	-2.9	35.3225	-2.7	35.7625	-1.9	104.0
Denmark	(DKr)	6.6778	-0.0204	768 - 788	6.7210	6.6423	6.6933	-2.8	6.7218	-2.6	6.789	-1.7	103.2
Finland	(FM)	5.5745	+0.0304	695 - 795	5.5916	5.5356	5.579	-1.0	5.5885	-1.0	5.6145	-0.7	76.5
France	(FFr)	5.8060	-0.0092	050 - 070	5.8395	5.7745	5.8218	-3.3	5.8433	-2.6	5.8937	-1.5	104.5
Germany	(D)	1.7037	-0.0053	034 - 040	1.7125	1.6930	1.7081	-3.1	1.7137	-2.3	1.7245	-1.2	104.2
Greece	(Dr)	247.050	-0.8	900 - 200	247.970	245.800	250.925	-18.8	257.9	-17.4	287.05	-16.2	71.2
Ireland	(I£)	1.4310	+0.0058	309 - 329	1.4393	1.4244	1.4289	2.6	1.4231	2.5	1.4064	1.8	-
Italy	(L)	1686.69	-4.81	655 - 683	1697.25	1681.27	1692.69	-4.3	1705.18	-4.4	1749.10	-3.7	75.9
Luxembourg	(LFr)	35.0825	-0.098	710 - 940	35.2480	34.8980	35.1675	-2.9	35.3225	-2.7	35.7625	-1.9	104.0
Netherlands	(Fl)	1.9125	-0.007	120 - 130	1.9222	1.9015	1.9156	-2.0	1.9206	-1.7	1.9284	-0.8	103.4
Norway	(NKr)	7.3990	-0.0225	965 - 015	7.4400	7.3626	7.4075	-1.4	7.4252	-1.4	7.454	-0.7	94.6
Portugal	(Es)	174.975	+0.475	900 - 050	175.950	174.106	175.84	-5.9	177.8	-6.0	184.175	-5.3	93.5
Spain	(Pta)	140.125	+0.375	050 - 200	140.500	139.450	140.72	-5.1	141.865	-5.0	145.625	-3.9	80.4
Sweden	(SKr)	8.0254	+0.0014	208 - 300	8.0755	7.9815	8.0494	-3.6	8.0929	-3.4	8.2179	-2.4	81.0
Switzerland	(SFr)	1.4305	-0.0065	300 - 310	1.4450	1.4225	1.4514	-0.8	1.4324	-0.5	1.427	0.2	104.8
UK	(£)	1.4953	+0.0093	950 - 955	1.4993	1.4850	1.4934	1.5	1.4903	1.3	1.4836	0.8	89.6
Ecu	-	1.1330	+0.004	327 - 332	1.1393	1.1277	1.1304	2.6	1.1257	2.6	1.1147	1.6	-
SDR	-	1.40248	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0008	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(Cr)	657.310	+10.04	300 - 320	657.350	657.300	-	-	-	-	-	-	-
Canada	(C$)	1.3559	+0.0031	556 - 561	1.3575	1.3495	1.3562	-0.3	1.3568	-0.3	1.3599	-0.3	85.7
Mexico	(New Peso)	3.2500	+0.072	400 - 600	3.2700	3.2023	3.2516	-0.6	3.2544	-0.5	3.265	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.0
Pacific/Middle East/Africa													
Australia	(A$)	1.4204	+0.0216	198 - 209	1.4241	1.4055	1.4215	-0.8	1.4243	-1.1	1.4318	-0.8	87.8
Hong Kong	(HK$)	7.7280	-	275 - 285	7.7292	7.7275	7.7287	-0.1	7.7327	-0.2	7.7515	-0.3	-
India	(Rs)	31.3975	+0.0275	900 - 050	31.4075	31.3700	31.4625	-2.5	31.5975	-2.5	-	-	-
Japan	(Y)	103.670	-0.945	640 - 700	104.750	103.050	103.565	1.2	103.29	1.5	101.645	2.0	147.2
Malaysia	(M$)	2.7165	-0.007	140 - 190	2.7295	2.7140	2.7105	2.7	2.694	3.3	2.7665	-1.8	-
New Zealand	(NZ$)	1.7580	+0.0226	569 - 590	1.7606	1.7382	1.7596	-1.1	1.7641	-1.4	1.7783	-1.2	-
Philippines	(Peso)	27.7000	-	000 - 000	27.8500	27.5500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-0.0003	495 - 505	3.7505	3.7495	3.7524	-0.8	3.7568	-0.7	3.7755	-0.7	-
Singapore	(S$)	1.5790	-0.0035	785 - 795	1.5840	1.5785	1.579	0.0	1.579	0.0	1.6025	-1.5	-
S Africa (Com.)	(R)	3.4593	+0.0008	585 - 600	3.4725	3.4540	3.4736	-5.0	3.5026	-5.0	3.5998	-4.1	-
S Africa (Fin.)	(R)	4.6825	-0.015	775 - 875	4.7100	4.6650	4.7135	-7.8	4.7775	-8.1	-	-	-
South Korea	(Won)	806.550	-1.3	500 - 600	807.900	806.500	809.55	-4.5	813.05	-3.2	831.55	-3.1	-
Taiwan	(T$)	26.4700	-0.03	700 - 700	26.4900	26.4700	26.5725	-4.6	26.72	-3.8	-	-	-
Thailand	(Bt)	25.3000	-0.01	900 - 100	25.3100	25.2900	25.37	-3.3	25.51	-3.3	25.66	-1.4	-

†SDR rate for Mar.1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar.1. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar.2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.55	4.855	1.990	4807	5.450	21.08	498.7	399.4	22.87	4.077	1.906	3.864	2.850	295.5	2.516
Denmark	(DKr)	52.54	10	8.694	2.551	1.046	2526	2.863	11.08	262.0	209.8	12.02	2.142	1.002	2.030	1.497	155.2	1.322
France	(FFr)	60.43	11.50	10	2.934	1.203	2905	3.293	12.74	301.3	241.3	13.82	2.464	1.152	2.335	1.722	178.8	1.521
Germany	(DM)	20.60	3.920	3.408	1	0.410	990.2	1.122	4.342	102.7	82.25	4.711	0.840	0.393	0.796	0.587	60.86	0.518
Ireland	(I£)	50.25	9.564	8.315	2.440	1	2416	2.739	10.59	250.6	200.7	11.49	2.049	0.958	1.942	1.432	148.5	1.264
Italy	(L)	2.080	0.396	0.344	0.101	0.041	100.	0.113	0.439	10.37	8.307	0.476	0.085	0.040	0.080	0.059	6.146	0.052
Netherlands	(Fl)	18.35	3.492	3.036	0.891	0.365	882.1	1	3.868	91.50	73.28	4.197	0.746	0.350	0.709	0.523	54.21	0.462
Norway	(NKr)	47.43	9.028	7.849	2.303	0.944	2280	2.585	10	236.5	189.4	10.85	1.934	0.904	1.833	1.352	140.1	1.193
Portugal	(Es)	20.05	3.817	3.318	0.974	0.399	964.1	1.093	4.228	100.	80.08	4.587	0.818	0.382	0.775	0.571	59.25	0.505
Spain	(Pta)	25.04	4.766	4.144	1.216	0.498	1204	1.365	5.279	124.8	100.	5.728	1.021	0.477	0.968	0.714	73.99	0.630
Sweden	(SKr)	43.72	8.321	7.234	2.123	0.870	2102	2.383	9.217	218.0	174.6	10	1.783	0.833	1.689	1.246	129.2	1.100
Switzerland	(SFr)	24.53	4.668	4.058	1.191	0.488	1179	1.337	5.171	122.3	97.94	5.610	1	0.468	0.948	0.699	72.46	0.617
UK	(£)	52.46	9.985	8.681	2.547	1.044	2522	2.859	11.06	261.8	209.5	12.00	2.139	1	2.027	1.495	155.0	1.320
Canada	(C$)	25.88	4.926	4.283	1.257	0.515	1244	1.410	5.456	129.1	103.4	5.920	1.055	0.493	1	0.738	76.47	0.651
US	($)	35.09	6.679	5.807	1.704	0.698	1687	1.912	7.398	175.0	140.1	8.027	1.431	0.669	1.356	1	103.7	0.883
Japan	(Y)	338.5	64.42	56.01	16.43	6.735	16271	18.45	71.35	1688	1352	77.42	13.80	6.452	13.08	9.645	1000.	8.516
Ecu		39.74	7.564	6.577	1.930	0.791	1911	2.166	8.379	198.2	158.7	9.091	1.620	0.758	1.536	1.133	117.4	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5846	0.5888	+0.0040	0.5891	0.5830	48,871	118,339
Jun	0.5810	0.5859	+0.0041	0.5862	0.5803	6,511	16,357
Sep	0.5830	0.5835	+0.0037	0.5837	0.5830	9	860

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9566	0.9665	+0.0096	0.9704	0.9549	16,994	67,924
Jun	0.9618	0.9707	+0.0102	0.9745	0.9615	3,117	8,929
Sep	0.9775	0.9770	+0.0138	0.9805	0.9770	60	667

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6956	0.7018	+0.0060	0.7022	0.6922	22,807	44,782
Jun	0.6946	0.7015	+0.0061	0.7017	0.6935	3,362	7,598
Sep	0.6995	0.7015	+0.0050	0.7015	0.6995	22	82

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4888	1.4970	+0.0082	1.4984	1.4850	14,270	35,962
Jun	1.4854	1.4920	+0.0080	1.4944	1.4854	5,006	12,078
Sep		1.4890	-	1.4890	-	8	452
Dec	-	1.4860	-	1.4860	-	1	12

EMS EUROPEAN CURRENCY UNIT RATES

Mar 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. Ind.
Ireland	0.808628	0.791869	-0.0021	-2.07	5.38	14
Netherlands	2.19672	2.16812	-0.00132	-1.30	4.55	-
Belgium	40.2123	39.7740	-0.0043	-1.09	4.33	8
Germany	1.94964	1.93144	-0.00041	-0.93	4.17	-
France	6.53883	6.58496	+0.00732	0.71	2.47	-6
Denmark	7.43679	7.58307	+0.0008	1.97	1.20	-13
Portugal	192.854	198.680	+1.157	3.02	0.17	-20
Spain	154.250	159.176	+0.962	3.16	0.00	-22
NON ERM MEMBERS						
Greece	264.513	280.121	+0.042	5.90	-2.56	-
Italy	1793.19	1918.99	+0.71	7.02	-3.57	-
UK	0.786749	0.760304	-0.002592	-3.36	8.78	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	CALLS Apr	CALLS May	PUTS Mar	PUTS Apr	PUTS May
1.400	9.46	9.37	9.38	0.02	0.04	0.21
1.425	7.02	7.09	7.24	0.03	0.21	0.51
1.450	4.57	4.98	5.28	0.05	0.57	1.02
1.475	2.37	3.18	3.60	0.26	1.25	1.83
1.500	0.76	1.83	2.34	1.14	2.36	2.95
1.525	0.11	0.95	1.41	2.94	3.92	4.51

Previous day's vol., Calls 67,321 Puts 54,482 . Prev. day's open int., Calls 605,362 Puts 551,605

WORLD INTEREST RATES

MONEY RATES

March 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter	Dis. rate	Repo rate
Belgium	-	6¼	6¼	6⅛	6⅛	7.40	5.00	-
week ago	-	6¼	6¼	6⅛	6⅛	7.40	5.25	-
France	6⅜	6⅜	6¼	6⅛	6⅛	6.10	-	7.75
week ago	6⅜	6⅜	6¼	6⅛	5⅞	6.20	-	7.75
Germany	6.13	6.05	5.85	5.65	5.42	6.75	5.25	6.00
week ago	6.05	6.05	5.85	5.65	5.37	6.75	5.25	6.00
Ireland	6¼	6¼	6¼	6¼	6¼	-	-	6.75
week ago	5⅞	6¼	5⅞	5⅞	5⅞	-	-	6.75
Italy	8½	8⅜	8⅜	8⅜	8⅜	-	8.00	8.92
week ago	8¼	8⅜	8⅛	8⅛	6¼	-	8.00	8.92
Netherlands	5.59	5.50	5.35	5.29	5.08	-	5.25	-
week ago	5.01	5.50	5.27	5.15	5.00	-	5.25	-
Switzerland	4¼	4¼	4¼	4⅛	4¼	6.625	4.00	-
week ago	4¼	4¼	4⅛	4¼	3⅞	6.625	4.00	-
US	3¼	3½	3½	4	4¼	-	3.00	-
week ago	3¼	3½	3⅝	3⅞	4¼	-	3.00	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2¼	2⅛	2⅛	2¼	2¼	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3¼	3⅞	4⅛	4½	-	-	-
week ago	-	3¼	3⅝	3⅞	4¼	-	-	-
US Dollar CDs	-	3.49	3.69	3.93	4.33	-	-	-
week ago	-	3.49	3.44	3.65	4.01	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3¼	4	-	-	-
week ago	-	3⅛	3⅛	3⅛	3⅜	-	-	-

ECU Linked Ds mid rates: 1 mth 6¼; 3 mths 6¼; 6 mths 6¼; 1 year 6¼. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6¼ - 6⅛	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6¼	6⅛ - 6¼	6⅛ - 6¼
Danish Krone	6¼ - 5¾	6½ - 6	6½ - 6	6¼ - 6¼	6¼ - 5⅞	5⅞ - 5⅝
D-Mark	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6¼	6 - 5⅞	5⅞ - 5¾	5⅞ - 5¾
Dutch Guilder	5⅝ - 5½	5⅝ - 5½	5½ - 5⅜	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛
French Franc	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6¼	6⅛ - 6¼	6⅛ - 6¼	6¼ - 5⅞
Portuguese Esc.	10 - 9½	10¼ - 9¾	10 - 9¾	9⅞ - 9⅝	9¾ - 9½	9⅝ - 9¼
Spanish Peseta	9¼ - 8⅞	9 - 8⅞	8⅞ - 8⅝	8⅝ - 8⅜	8⅝ - 8½	8½ - 8¼
Sterling	4⅞ - 4⅝	4⅞ - 4⅞	5¼ - 5⅛	5⅜ - 5¼	5¼ - 5⅜	5⅜ - 5¼
Swiss Franc	4½ - 4⅛	4½ - 4⅛	4⅜ - 4¼	4¼ - 4⅛	4¼ - 3⅞	3⅞ - 3¾
Can. Dollar	3⅞ - 3⅝	3⅞ - 3⅝	3⅞ - 3⅝	4⅛ - 3⅞	4⅜ - 4⅛	4⅞ - 4⅝
US Dollar	3½ - 3⅜	3¼ - 3⅛	3⅝ - 3½	3⅞ - 3¾	4⅛ - 3⅞	4½ - 4⅜
Italian Lira	9 - 7½	8¾ - 7⅞	8½ - 8	8½ - 8	8¾ - 8	8¾ - 8⅝
Yen	2¼ - 2⅛	2½ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.80	93.83	-0.03	93.85	93.77	27,231	66,415
Jun	94.21	94.22	-0.04	94.24	94.08	51,265	71,634
Sep	94.40	94.37	-0.11	94.40	94.24	25,965	40,742
Dec	94.48	94.44	-0.18	94.51	94.36	36,198	28,477

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.13	96.14	-0.05	96.14	96.11	238	5543
Jun	95.70	95.72	-0.05	95.73	95.68	930	4559
Sep	95.33	95.37	-0.07	95.34	95.27	578	2241
Dec	94.93	94.96	-0.08	94.98	94.86	785	1439

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.13	94.15	-	94.18	94.11	43305	175946
Jun	94.48	94.53	-	94.55	94.38	127697	225499
Sep	94.70	94.72	-0.01	94.75	94.50	77514	166820
Dec	94.78	94.80	-0.03	94.83	94.06	77512	144117

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.44	91.45	-0.01	91.51	91.29	6554	33556
Jun	91.65	91.72	-0.03	91.74	91.45	11610	54716
Sep	91.85	91.92	-0.05	91.93	91.70	2659	22983
Dec	92.00	91.99	-0.10	92.00	91.80	5650	32507

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.93	95.95	+0.01	95.97	95.85	3911	24865
Jun	96.07	96.06	-0.03	96.07	95.95	6923	30326
Sep	96.13	96.09	-0.07	96.13	95.95	1636	7048
Dec	96.00	96.04	-0.11	96.05	96.00	638	3728

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.64	93.62	-0.05	93.66	93.56	1435	12081
Jun	94.03	93.98	-0.07	94.03	93.87	2152	11314
Sep	94.21	94.17	-0.11	94.21	94.07	1063	9658
Dec	94.25	94.25	-0.13	94.27	94.17	520	6693

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.14	96.11	-0.04	96.15	96.10	127,887	329,955
Jun	95.72	95.68	-0.04	95.72	95.67	259,402	447,411
Sep	95.37	95.32	-0.05	95.37	95.29	169,737	361,488

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.55	95.51	-	96.55	96.49	4,359	6,570
Jun	96.14	96.15	-	96.10	96.14	4,685	25,792
Sep	95.83	95.81	-0.04	95.85	95.79	590	5,337

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9400	0.17	0.56	0.77	0.02	0.02	0.05
9425	0.04	0.35	0.57	0.14	0.07	0.10
9450	0.01	0.18	0.39	0.36	0.18	0.17

Est. vol. total, Calls 38482 Puts 13167. Previous day's open int., Calls 287174 Puts 185805

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.21	0.35	0.41	0.01	0.04	0.07
9600	0.04	0.17	0.24	0.09	0.11	0.15
9625	0.01	0.05	0.12	0.31	0.25	0.28

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2219 Puts 3643

UK INTEREST RATES

LONDON MONEY RATES

Mar 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5½ - 3	5⅛ - 4⅞	5⅛ - 5	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
Sterling CDs	-	5⅛ - 5	5⅛ - 5	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
Treasury Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	-	-
Bank Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	-
Local authority deps.	4⅞ - 4¼	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅜ - 5¼
Discount market deps.	4¾ - 3	5⅛ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¼	3¼	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7129pc. ECGD fixed rate Stg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.50pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.265pc. Finance House Base Rate 5½pc from Mar 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.79	94.83	+0.02	94.85	94.79	11321	66898
Jun	94.84	94.87	-	94.90	94.80	33241	113142
Sep	94.70	94.72	-0.02	94.74	94.63	20884	67826
Dec	94.51	94.52	-0.05	94.55	94.43	15315	101723

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9475	0.10	0.20	0.22	0.02	0.08	0.25
9500	0.01	0.08	0.12	0.18	0.21	0.40
9525	0	0.02	0.05	0.42	0.40	0.58

Est. vol. total, Calls 8851 Puts 4595. Previous day's open int., Calls 196786 Puts 177364

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25	● Members of British Merchant Banking & Securities Houses Association	
●Brown Shipley	5.25	Julian Hodge Bank	5.25	* In administration	
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	8		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are 1993-94, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, March 2, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	6.4m	380	-5	Sanyo Elec	3.9m	480	-8
Hitachi	5.4m	944	-13	Matsushita El Ind	3.8m	1,740	-30
Nippon Steel	5.4m	346	-8	Toshiba	3.8m	765	-15
Mitsubishi Hvy	4.7m	701	-14	Itochu	3.7m	698	
Nitsuko	4.1m	1,440	-40	Isuzu Motors	3.6m	425	-13

INDICES

	Mar 2	Mar 1	Feb 28	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	(u)	20483.1	21925.7	25470.40	16/2/94	12167.86	8/3/93
Australia							
All Ordinaries(1/1/80)	2154.0	2181.7	2180.1	2340.60	3/2/94	1495.00	13/1/93
All Mining(1/1/80)	994.0	1018.4	1008.4	1138.10	3/2/94	594.70	13/1/93
Austria							
Credit Aktien(30/12/84)	437.65	445.44	444.38	480.88	2/2/94	366.28	14/1/93
Traded Index(2/1/91)	1131.46	1155.73	1158.96	1222.25	1/3/94	712.06	15/1/93
Belgium							
BEL20 (1/1/91)	1479.90	1516.90	1515.80	1542.85	9/2/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	10733.0	10539.0	10733.00	1/3/94	71.47	4/1/93
Canada							
Metals Minls♦(1975)	(u)	3584.95	3661.93	3824.83	1/2/94	2743.31	21/1/93
Composite♦ (1975)	(u)	4390.43	4423.84	4591.30	1/2/94	3275.80	21/1/93
Portfolio§§ (4/1/83)	(u)	2080.06	2104.35	2182.85	1/2/94	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	4459.5	4538.3	4667.30	4/2/94	2612.59	10/5/93
Denmark							
CopenhagenSE(3/1/83)	392.31	400.73	402.72	415.79	2/2/94	281.88	4/1/93
Finland							
HEX General(28/12/90)	1840.2	1858.6	1879.6	1572.09	4/2/94	843.19	22/1/93
France							
SBF 250 (31/12/90)	1459.88	1485.28†	1510.68	1585.29	2/2/94	1114.39	28/1/93
CAC 40(31/12/87)	2144.56	2183.12	2238.06	2355.93	2/2/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	776.33	799.80	801.28	865.67	4/1/94	598.92	14/1/93
Commerzbank(1/12/53)	2221.20	2288.60†	2290.70	2469.00	4/1/94	1694.30	14/1/93
DAX (30/12/87)‡	2020.33	2067.05	2081.57	2267.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE(31/12/80)	1077.88	1085.91	1086.22	1194.58	18/1/94	667.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	9877.43	10148.36	10410.23	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	4086.2	4147.7	4287.9	4287.90	28/2/94	2190.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	540.47	546.41	548.23	612.89	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall(4/1/88)	1889.58	1913.67	1929.90	2082.16	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	639.35	649.24	658.20	688.03	18/2/94	449.39	6/1/93
MIB General (4/1/94)	1022.0	1038.0	1052.0	1102.00	18/2/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	19744.77	20216.62	19997.28	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	298.07	304.25	302.23	306.84	10/11/93	240.84	29/11/93
Topix (4/1/68)	1615.94	1645.48	1631.71	1698.67	3/9/93	1250.66	25/1/93
2nd Section (4/1/68)	2195.57	2208.22	2203.98	2304.97	7/8/93	1691.72	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1086.25	1113.41	1125.63	1314.46	5/1/94	614.28	13/1/93
Mexico							
IPC (Nov 1978)	(u)	2514.15	2585.44	2881.17	8/2/94	1504.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	426.4	434.1	437.8	454.90	31/1/94	295.70	4/1/93
CBS All Shr (End 83)	278.3	281.3	283.7	294.80	31/1/94	198.60	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2227.66	2270.20	2244.35	2438.64	3/2/94	22.00	22/2/94
Norway							
Oslo SE(Ind)(2/1/83)	1179.13	1204.08	1211.10	1211.10	28/2/94	689.93	27/1/93
Philippines							
Manila Comp (2/1/85)	2699.75	2755.65	2861.61	3308.37	4/1/94	1270.68	4/1/93
Portugal							
BTA (1977)	3056.3	3140.7	3112.8	3226.60	18/2/94	1608.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	585.11	599.83	603.03	641.81	4/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	1923.0♥	1988.0	1995.0	2331.00	4/1/94	775.00	5/1/93
JSE Ind. (28/9/78)	5833.0♥	5614.0	5809.0	5822.00	4/2/94	4333.00	19/4/93
South Korea							
KoreaCmpEx(4/1/80)**	906.66	(c)	918.88	974.26	2/2/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	325.18	332.88	338.46	368.31	31/1/94	215.60	4/1/93
Sweden							
AffarsvardsGen (1/2/37)	1492.40	1522.50	1538.90	1683.90	31/1/94	878.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1280.64	1312.79	1326.00	1423.34	31/1/94	904.80	11/1/93
SBC General (1/4/87)	973.35	997.83	1007.61	1083.29	31/1/94	678.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	5429.37	5452.44	5414.54	6464.92	8/1/94	3098.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1339.12	1375.97	1372.93	1753.73	4/1/94	818.84	1/6/93
Turkey							
Istanbul Comp.(Jan 1986)	15640.8	14603.2	15003.5	20683.68	13/1/94	3955.53	1/1/93
WORLD							
MS Capital Int (1/1/70)$	616.1*	624.1	627.8	641.80	1/2/94	488.60	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1393.60	1431.16	1456.43	1540.19	31/1/94	1063.02	13/1/93
Euro Top-100 (26/6/90)	1302.49	1224.20	1242.67	1311.01	2/2/94	862.73	13/1/93
JCapeDgns (31/12/88)	(u)	332.54	338.98	385.19	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	(u)	168.89	167.89	182.72	14/2/94	89.81	4/2/93

** Sat Feb 26: Taiwan Weighted Price 5590.27; Korea Comp Ex 926.31. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500, Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Mar 2 – 2018.69 –37.92

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Mar	2168.0	2155.0	-30.0	2174.0	2084.0	20,589	56,205
Apr	2176.0	2165.0	-31.0	2180.0	2129.5	44,976	1,648
Jun	2163.0	2152.0	-30.0	2163.0	2118.0	106	3,341

Open interest figures for previous day.

US INDICES

Dow Jones	Mar 1	Feb 28	Feb 25	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3809.23	3832.02	3838.78	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	103.40	103.63	103.88	109.77 (18/10/93)	103.40 (1/3/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1748.63	1762.31	1762.09	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	209.40	210.45	208.41	256.46 (31/8/93)	207.28 (24/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3848.34 (3874.52) Low 3772.93 (3817.80) (Theoretical♠)
Day's high 3835.88 (3852.26) Low 3786.43 (3832.02) (Actual♠)

Standard and Poors	Mar 1	Feb 28	Feb 25	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	464.44	467.14	466.06	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	543.93	546.69	545.38	568.50 (2/2/94)	495.48 (26/4/93)	568.50 (2/2/94)	3.62 (21/6/82)
Financial	43.43	43.91	43.82	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	257.81	258.23	258.57	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.40 (25/4/42)
Amex Mkt Val	469.96	471.34	467.45	487.88 (2/2/94)	395.84 (8/1/93)	487.88 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	780.64	792.50	783.78	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 25	Feb 18	Feb 11	Year ago
Dow Jones Ind. Div. Yield	2.62	2.58	2.58	3.02
	Feb 23	Feb 16	Feb 9	Year ago
S & P Ind. Div. yield	2.36	2.34	2.35	2.55
S & P Ind. P/E ratio	26.09	26.18	26.07	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	463.90	459.80	-4.05	464.30	452.85	96,500	167,380
Jun	-		-	-	-	6,470	31,723
Sep	-		-	-	-	-	-

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Telefonos	5,171,500	66⅛	−⅞
Society Corp	4,587,000	31¼	-1
Philip Morris	4,232,300	55½	−½
Digital Equip	3,640,800	31¼	+2⅛
Merck	2,829,800	32	−⅛
Keycorp Inc	4,557,800	37	−1
RJR Nabisco	2,380,300	6⅛	---
Tandem Com	2,273,300	14⅛	−⅛
Gen Motors	2,068,900	58⅜	−⅜
IBM	2,030,900	53⅛	+⅜

■ TRADING ACTIVITY

● Volume (million)	Mar 1	Feb 28	Feb 25
New York SE	300.028	268.137	273.218
Amex	17.084	18.449	273.218
NASDAQ	(u)	287.547	285.648
NYSE			
Issues Traded	(u)	2,752	2,748
Rises	(u)	1,449	1,163
Falls	(u)	731	934
Unchanged	(u)	572	651
New Highs	(u)	87	48
New Lows	(u)	46	75

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close March 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close March 2

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
		Continued from previous page								
24⅜	13⅛	SbyKl	0.20	2.4	8	1187	15⅜	15	15⅛	-⅛
24¾	10⅞	Safeway			24	2492	u24⅞	23¾	24⅞	+⅛
5⅞	2	SafewayW95				880	5¾	5½	5¾	
55½	37½	StJoePaper	0.20	0.4	277	25	53¼	52¾	52¾	-¾
37⅞	28	StJoeLP	1.60	8.2	14	28	29⅜	29	29	-¼
90	75	StPaul	3.00	3.7	6	1037	82¼	81¼	81¾	+⅛
11⅛	8⅛	Salant Crp			8	261	7⅞	7½	7⅞	-⅛
75⅛	39⅞	Sallie Mae x	1.40	3.1	9	1168	45	44½	44⅝	-¼
14⅜	12⅞	Salomon Br	0.34	2.5		858	13½	13¼	13¼	-⅛
51⅞	34	Salomn	0.64	1.3	8	8375	49	47⅞	48	-¾
27¾	22⅛	SnDgGE	1.52	6.6	12	542	23⅛	22⅞	23⅛	+⅜
11⅞	8⅛	SantaFeEls	0.18	1.0	8	1185	8¾	8	8¼	-⅛
40¾	35¾	SantaFePac	2.80	7.0	18	43	39⅞	39½	39¾	-⅛
28¼	12¾	SanFeP	0.18	0.4	12	8856	22¾	21⅞	22¾	+¼
31⅛	21	SaraLee x	0.64	2.9	14	9775	22⅛	21⅝	22	
52¼	40⅛	Scana Corp	2.62	6.1	12	520	40	45⅛	46	+⅜
25¾	17¾	Scecrp x	1.42	7.7	12	6855	18⅝	17⅞	16⅜	+⅛
40½	23⅞	ScheranP			29	602	38¼	37	38⅛	-⅜
71	51¾	SchrPl	1.80	3.1	13	6717	58⅞	58⅛	58¾	-½
68⅞	54⅝	Schlmb	1.20	2.1	23	4732	57⅜	56¼	57⅛	+½
38⅜	16½	Schwab(C)	0.28	1.0	12	2035	27⅜	26¼	27	-⅛
9⅝	5⅝	Schwitzer			26	98	8⅞	0	9⅜	+¼
38⅞	17¾	SciAtl	0.12	0.5	51	1603	26½	25¾	25⅞	-1⅛
16⅞	9⅛	Scotsman	0.10	0.7	13	18	14⅝	14¼	14¼	-⅛
46¾	31	ScottP	0.50	1.8	11	4927	45⅛	44⅞	45	-⅛
28⅝	14¼	ScuddrNAsF	0.27	1.2		365	23¼	22¾	22¾	-⅞
12⅛	7½	ScuddrNEuF	0.18	1.4		589	11¼	11	11⅛	-⅛
31½	16¾	SeaCnG	0.70	4.1	8	z100	17⅛	17⅛	17⅛	-¼
17	15	SeaCl1.4625	1.46	9.4		3	15⅝	15⅝	15⅝	-¼
31	24½	Seagrm	0.56	2.0	35	2374	28	27⅝	28	-¼
32⅞	15	Seagull En			31	1718	24¼	24	24	-⅛
[illegible]										

- X - Y - Z -

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
103¼	69⅞	Xerox x	2.00	3.2	38	2654	96¾	94⅛	95	-⅜
55½	51½	Xerox4.125	4.12	7.8		2	53	53	53	+½
53	31¼	Xtra Corp	0.56	1.3	18	963	43½	42¼	43⅜	-⅛
29¼	19½	Yankee Egy x	1.18	4.7	14	31	24¾	24½	24⅝	+⅜
1⅜	⅞	Zapata			7	2039	1¼	1⅛	1¼	+⅛
13½	5⅞	ZnthEl			31	2378	12⅛	11¾	12	-¼
29¼	19⅝	Zenith Nat	1.28	4.3	8	54	23⅜	23	23⅛	+⅜
8	6½	Zenix Inc	0.82	10.4		30	7⅞	7¾	7⅞	
16⅝	12⅝	Zero	0.40	2.7	18	70	14¾	14⅝	14¾	
40¾	25⅛	Zurn Ind	0.88	3.1	61	288	28½	28⅛	28¼	-⅛
13⅞	12⅝	Zweig Fund	1.24	8.4		179	13¼	13⅛	13⅛	-⅛
10⅞	9½	Zweig Tot	0.84	8.4		1541	10	d9½	10	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1993. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

Owing to technical problems, some North American prices in yesterday's FT were pre-close.

AMEX COMPOSITE PRICES

4 pm close March 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Bio-Rad A		37	68	13⅝	13⅛	13⅛	-⅛
Blount A	0.50	33	215	30¼	29½	30¼	+¼
Bow Valley		300	4	8	8⅞	8	-⅛
Bowmar		29	385	3	2¾	2 15/16	-1/16
Bowne	0.30	11	62	24	23⅝	23¾	-½
Brascan A	1.04	13	29	16¼	13	13⅛	
Cal Engy		17	1344	17¾	17⅛	17⅜	
Calprop		0	10	1⅛	1½	1½	
Cambrex	0.20	14	29	24	23⅝	23⅞	-⅛
Can Marc	0.28	38	50	11⅛	11	11	
Chmbrs A	0.01	8	617	4	4	4	-⅛
Chambers		8	4	4	4	4	
Champion		24	339	23⅝	22¾	23⅞	+⅛
Chiles		262	130	5⅜	5⅝	5¼	
Engy Serv		46	3540	3	3	3	+¼
Epitope		8	1676	15⅜	d14½	15⅜	+⅛
Fab Inds	0.64	12	131	35½	34⅛	35⅛	-⅜
Fina A	3.20	15	18	69⅞	69	69	-1½
FstCityBnc	0.28	14	3	11¾	11¾	11¾	
Fluke (J)	0.52	65	118	26¼	25½	26⅛	-⅛
Forest La		30	720	51⅛	50	50⅞	+½
Frequency		3	z150	4⅛	4⅛	4½	-⅛
Garan	0.08	6	7	26⅞	28¾	35¾	
Giant FdA	0.70	16	282	25½	25⅛	25½	-¼
Glatfltr	0.76	38	141	16⅞	16¾	16⅞	
Goldfield		10	91	⅝	d½	½	-⅛
Greenman		34	18	6⅞	6⅝	6⅝	-⅛
Gulf Cda	0.24	11	30	3¼	3¼	3¼	-⅛
Lynch Cp		7	6	24¾	24⅝	24⅝	-½
Maxxam		2	85	37⅜	36⅞	37⅛	-⅛
Media A x	0.44	26	47	25¾	25½	25¾	-¼
Mem Co	0.20	5	z100	4⅛	4⅛	4⅛	+⅛
MlhaLd			z100	6¾	6¾	6¾	-⅛
Moog A		16	42	7⅝	7½	7⅝	+⅛
MSR Expl		2	30				
Nat Pint		10	127	4	4	4⅜	-1/16
New Line		34	162	25¾	25	25	
NY TmA	0.56	382	1625	27⅝	27¼	27½	-⅜
NthCanOil	0.20	6	4	6	6	6	-¼
NumacE		122	5	6⅛	6⅛	6⅛	
NVR		13	133	9⅜	d9⅛	9⅜	-⅛
Odetics A		34	135	9¾	9¼	9¾	
Thermoins		34	41	32½	32⅛	32½	+⅛
TotPNA	0.20	22	486	u16	14⅞	16	+⅞
TownCntry		8	347	2½	2⅜	2½	
Triton		11	1164	1⅝	1½	1⅝	
Tubos Mex		21	261	6	5¾	5¾	-⅛
UtdFoodsA		4	30	1⅜	1⅜	1⅜	-1/16
UtdFoodsB	0.28	93	z100	1⅞	1⅞	1⅞	
UnivPints		16	74	6⅛	5⅞	6	-¼
US Cellul		81	109	27¾	27⅝	27⅝	-¼
Weatherfd		25	303	10½	10¼	10⅜	-⅛
Westamer	0.60	23	40	27⅜	27⅛	27¼	-⅛
WIRET x	1.12	20	150	14⅝	14	14	-⅜
Worthen	0.60	10	4	22⅛	22⅛	22⅛	-¼
Xytronix		6	199	6⅛	6	6	

NASDAQ NATIONAL MARKET

4 pm close March 2

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Dow picks up after early morning fall

Wall Street

After plummeting more than 50 points in early trading in the wake of heavy selling in overseas markets and fresh declines in US bonds, share prices staged an impressive rally yesterday morning, *writes Patrick Horverson in New York.*

By 1 pm the Dow Jones Industrial Average was down only 10.41 at 3,798.82, a long way off its low for the session of 3,755.76. The more broadly based Standard & Poor's 500 moved in a similar fashion, and was down 2.33 at 462.11, while the American Stock Exchange composite was off 5.85 at 464.11 and the Nasdaq composite 9.19 lower at 779.49. Trading volume on the New York SE was heavy at 224m shares by 1 pm. Declines outnumbered rises by a huge margin of 1,833 to 341.

Heavy overnight selling on foreign equity and bond markets, and early declines in US bond prices in New York, set the stage for a sharply downbeat opening to trading in stocks.

Within minutes the Dow was showing a double-digit loss, and it was not long before the average had posted a 50-point decline, which triggered the NYSE's "circuit breakers", which limit program trading.

The circuit breakers, however, and a rebound in US bond prices and some overseas markets, stemmed the initial tide of selling, and by mid-morning stocks were rallying.

The news that the US government will not move immediately to take punitive action against the Japanese for failing to open up their markets to US goods and services also helped shares recover.

One of the factors undermining market sentiment recently has been fear of a US-Japan trade war.

Although share prices bounced back from their lows, the mood of the market remained sombre. Bond and stock prices in the US and Europe have been falling because of fears that signs of resurgent inflation in the US will prompt the Federal Reserve to put up interest rates again. Yesterday's report from the commerce department that wages and salaries rose by 1 per cent in January – double the growth in the previous month – only fuelled investors' fears about inflation.

Among individual sectors, financial stocks again took a beating because of concern about rising interest rates. Bankers Trust was hardest hit, falling $3½ to $77¼ after the New York bank was forced to issue a statement denying rumours that it had incurred huge losses on its derivatives trading. JP Morgan, down $2 at $65¼, was another to suffsr from speculation about trading losses.

Elsewhere in the sector, Citicorp gave up $⅝ at $39½, Nationsbank slipped $1⅛ to $47¼, Banc One fell $⅞ to $33⅛, and BankAmerica dropped $⅝ to $42⅛. Among securities houses, Salomon fell $1 to $48⅜, Morgan Stanley $⅝ to $64⅜, and Bear Stearns $⅜ to $20⅞.

Car stocks led the market's late-morning recovery, with Ford rising $¼ to $62⅛, General Motors $⅜ to $58⅞, and Chrysler $¼ to $56⅛.

Canada

Toronto rebounded slightly from sharp morning losses, but investors remained nervous.

The TSE-300 composite index lost more than 56 points before retracing slightly to stand 43.4, or nearly 1 per cent, down at 4,347.0 by midsession.

The Canadian dollar steadied at midday after plunging to seven-year lows earlier. It traded around C$1.3530 from earlier seven-year lows of C$1.3575. Turnover was a brisk 37.48m shares valued at C$484.18m. Declining issues routed advances by 521 to 133, with 298 steady.

SOUTH AFRICA

Johannesburg finished off earlier hopeful highs as the market reacted to gold's continued weakness and an easing to initial euphoria abont political developments, on the view that the market needed more concrete steps towards Inkatha's participation in elections before running higher.

The overall index added 1 at 4,881 and industrials advanced 19 to 5,633, but golds retreated 63 to 1,923. Anglos moved ahead R2 to R204 and De Beers R1.50 to R106.50.

EUROPE

Continent begins to recover from sharp declines

The rise in German January M3 data took the markets by surprise, although a figure of around 13 per cent had been estimated by some economists, *writes Our Markets Staff.*

The opinion among strategists yesterday regarding the fallout in equity prices was that traders had made an instinctive and uninformed reaction to the M3 figures based on the view that they suggested, at first glance, that inflation was on the rise again in Europe.

However, Mr Richard Taylor of NatWest Securities said that the fundamental picture remained unaltered: inflation was not a worry in Europe and interest rates would continue to decline.

This view was repeated by Mr Sushil Wadhwani of Goldman Sachs who said thet while short term volatility might well continue, on a 12 to 18-month view equities would continue to perform well.

Mr Anthony Thomas at Kleinwort Benson responded to present turmoil by reducing exposure to France and Belgium, two interest rate-sensitive markets, and increasing weightings in the more defensive and dollar sensitive Switzerland and the Netherlands.

"We would accept that the domestic fundamentals remain positive, but would not be in a hurry to buy as the npheavals in the US have some way to go," he said.

Mr Thomas remained very positive on Italy, as a political reform play, and on Sweden and Finland, for their cyclical companies which are on attractive ratings with good earnings visibility.

FRANKFURT was buffeted from the start as the market reacted nervously to the M3 data and to overhanging worries that metal workers would vots to take strike action today. The Dax index finished the official session down 46.72 at 2,020.33, but off a low of 1,992.70, while the March Dax futures plummeted 58.5 to 2,004.5.

With Wall Street's opening, post-bourse activity was also frenetic, with a further decline to the 2,000 level seen before a push upwards occurred in the last hour on some encouraging US data, leaving a 2,018.68 close. Turnover was DM8.2bn.

There were suggestions late yesterday that the Bundesbank could well make a cut in interest rates at its regular council meeting today.

Among the day's fallers, Hoechst lost DM10.70 to DM292.50, Daimler DM16.50 to DM778.50, Deutsche Bank DM20.50 to DM781.00 and Dresdnsr Bank DM15.70 to DM401.00.

Thyssen managed to resist the steep declines felt elsewhere, losing DM1 to DM252, helped by news that the governmsnt had given the go ahead for ths Transrapid high-speed rail link between Hamburg and Berlin.

ZURICH saw further foreign selling which left ths SMI index 80.8 lower at 2,766.6, for a cumulative fall of 5.6 per cent this week and 15.3 per cent since the market peaked on January 31.

Mr Hans Kaufmann at Bank Julius Baer in Zurich noted that foreigner sellers were picking up currency gains along with accumulated profits on shares that they sold. He added that domestic institutions were beginning to return as selective buyers as prices dipped.

Banks remained under pressure with UBS bearers down SFr38 to SFr1,262, taking the cumulative loss since last Friday's results to SFr12.6 per cent. CS Holding dipped SFr19 to SFr616 as investors awaited tomorrow's figures from Credit Suisse and Swiss Volksbank.

Investors marked Roche certificatas SFr250 to SFr6,650, registering disappointment that the shares had not managed to hold above the SFr7,000 level on Tuesday. Among speculative issues, Motor Colombus shed SFr145 or 9.9 per cent to SFr1,400.

PARIS recovered some of its early falls as domestic institutions were seen re-entering the market. The CAC-40 index, having been off some 4 per cent during the session, picked up to close the day down 38.46 at 2,144.66. Turnover was FFr8bn.

Investors were watching UAP, soon to be privatised, the shares slipping FFr5.80 to FFr186.70. The government said that privatisation would not be affected by the recent volatility in the markets.

Among other newly privatised companies, Rhône-Poulenc lost FFr4.50 to FFr133.20, after a low of FFr128.30, Elf Aquitaine FFr5.90 to FFr400.60 and BNP 80 centimes to FFr263.20.

AMSTERDAM's losses accelerated during the day, the AEX index closing down 8.67 at 407.27.

Philips fell Fl 1.50 or more than 3 per cent to Fl 46.00 ahead of today's results, while DSM dropped Fl 3.10 to FL 107.60, also with results pending today. Akzo Nobel slipped Fl 7.00 to Fl 203.60.

BolsWessanen shed Fl 1.10 to Fl 42.20 after reporting a 26 per cent decline in 1993 profits.

MILAN picked up from its lowest levels leaving the Comit index to finish 9.89 lower at 639.35.

BCI held its loss to just L9 at L6,017 in response to news last on Tuesday that its sell-out privatisation had closed three days early. But Ambrovento fell L206 or 4.2 per cent to L4,713 in a correction after recent strong gains which followed its 1993 figures.

Domestic selling of some of the traditionally foreign favourites left Olivetti L43 at L2,290 and Sip L90 down at L3,957. Fiat dipped L59 to L4,633, helped by rumours that sales figures for its new Punto model were positive.

MADRID picksd up from intraday lows which left the general index down 7.52 at 325.16. Téléfonica lost Pta55 or 2.9 per cent to Pta1,835 as investors continued to look unvarourably on its $2bn foreign venture in Peru.

Written and edited by John Pitt and Michael Morgan

The day's falls

	% fall
Zurich	2.7
Brussels	2.4
Frankfurt	2.3
Madrid	2.2
Amsterdam	2.1
Stockholm	2.0
Paris	1.8
Milan	1.5

FT-SE Actuaries Share Indices

Mar 2 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1400.70	1392.89	1391.11	1395.39	1398.19	1394.89	1390.94	1393.60
FT-SE Eurotrack 200	1465.51	1455.68	1455.18	1461.03	1463.34	1460.72	1458.74	1462.08

	Mar 1	Feb 28	Feb 25	Feb 24	Feb 23
FT-SE Eurotrack 100	1431.16	1458.43	1448.01	1456.74	1489.10
FT-SE Eurotrack 200	1489.07	1512.74	1498.35	1509.51	1537.95

Base value 1000 (26/10/90). High/day: 100 - 1401.16; 200 - 1465.59 Low/day: 100 - 1388.73 200 - 1451.87.

ASIA PACIFIC

Interest rate worries leave Nikkei 2.3 per cent down

Tokyo

Investors were discouraged by Tuesday's fall on Wall Street and the rise in long-term interest rates following a plunge on the government bond market, and the Nikkei 225 average lost 2.3 per cent on arbitrage selling, declining for the first time in five days, *writes Emiko Terazono in Tokyo.*

The 225 average dropped 471.85 to 19,744.77 on index-linked selling and profit-taking by securities dealers. It opened at the day's high of 20,159.02 and hit its low of 19,724.27 just before the close.

Expectations of a bottoming out of the economy prompted a sell-off in the bond market. The yield on the No 157 10-year benchmark gained 19 basis points at 3.94 per cent, after briefly moving above the 4 per cent level in the morning session for the first time since August 30 last year.

Some Japanese traders said that after their recent rise, share prices "needed a breather". Meanwhile, foreign investor buying orders failed to counter arbitrage selling and profit-taking by institutional and corporate investors.

Volume totalled 400m shares, down from Tuesday's 518m. Declines led rises by 823 to 234, with 131 issues unchanged. The Topix index of all first section stocks fell 29.54, or 1.8 per cent, to 1,615.94, while the Nikkei 300 receded 6.18 to 298.07. In London the ISE/Nikkei 50 index shed 15.82 to 1,318.73.

Retailers lost ground on profit-taking by dealers, who had been actively buying the sector recently on hopes of a recovery in consumption. Mitsukoshi, the department store, shed Y30 to Y930 and Daiei, the country's largest supermarket chain, slipped Y50 to Y1,850.

Arbitrage selling depressed bank stocks. Industrial Bank of Japan fell Y40 to Y3,290 and Bank of Tokyo Y50 to Y1,580.

High-technology issues, which have climbed recently on the multimedia theme, declined. Hitachi dipped Y13 to Y944 and Nippon Telegraph and Telephone plunged Y32,000 to Y947,000.

Alps Electric rose Y50 to Y1,490 on reports of a smaller than expected loss. Hopes of an economic recovery supported machine tool shares, usually beneficiaries of an increase in capital spending by corporations. Tsugami gained Y20 at Y495 and Ikegai Y23 at Y415.

In Osaka, the OSE average relinquished 279.47 at 22,044.49 in volume of 108.4m shares. The index declined for the first time in nine trading days, but profit-taking ahead of the year-end book closing boosted trading volume.

Roundup

Interest rate worries preoccupied many of the Pacific Rim's markets.

HONG KONG made little immediate response to what was widely seen as a favourable budget: instead it fell 2.7 per cent amid fears that local interest rates will rise soon. The Hang Seng index was down 270.93 at 9,877.43, after a day's low of 9,819.76.

Bank and property counters were big losers, extending their slide to a second day.

Sino Land tumbled 50 cents to HK$8.90 after it paid record prices at Tuesday's government land auction. Cheung Kong receded 75 cents to HK$43 and Henderson Land 50 cents to HK$46.25.

SINGAPORE was unnerved by the outlook for US long-term interest rates and the Straits Times Industrial index fell 29.19 to 2,284.49.

Weakness in Sembawang Shipyard, 60 cents lower at S$12.10 ahead of its corporate results released after the market had closed, also dragged the index down.

AUSTRALIA took its lead from the bond market and the All Ordinaries index finished 27.7 lower at 2,154.0.

NEW ZEALAND closed sharply weaker, the NZSE-40 index falling 42.5, or 1.9 per cent, to 2,237.66 in moderate turnover of NZ$41.0m.

TAIWAN gave up early gains to end moderately lower after dull, gloomy trade. The weighted index lost 23.07 at 5,429.37, after an initial rise to 5,497. Turnover was modest at T$48.21bn, after T$52.96bn.

China Development, the most active stock, finished T$9.50 stronger at T$120 after proposing a big T$3.15 stock dividend for 1993. This sparked an early surge in the overall financial sector but it soon ran out of steam.

MANILA eased but finished off the day's lows, amid a return of selective bargain hunting. The composite index slipped 55.90 to 2,699.75.

SEOUL ended lower to weak trading as investors, including institutions, stayed on the sidelines. The composite index shed 12.22 to 906.66.

BOMBAY declined in dull trade as most buyers preferred to await for clearer trends to emerge from the national budget presented earlier in the week. The BSE 30-share index closed 81.50 off at 4,066.20.

KARACHI finished at a record high, continuing Tuesday's rally which was led by institutions and funds encouraged by cuts in key interest rates. The KSE 100-share index rose 29.43 to 2,534.67. Gains led falls by 167 to 130.

India may get a lift from the budget package

Indian eqnities remained static yesterday, as they have since the release of the budget earlier this week, while investors review the situation. However, a bullish assessment of the package has already come from Mr Nigel Spence of Lehman Brothers in London, *writes John Pitt.*

His reading of the proposals are that it is a boost for industry. A cnt in interest rates by 1 percentage point to 14 per cent will assist the many highly indebted companies, while the rednction in corporation tax from 52 per cent to 46 per cent will be good for the blue chip companies and multinationals, says Mr Spence. He does not see the increase in the budget deficit being a problem, and is not worried about the potential risk of rising inflation. He forecasts a move substantially higher in the short term.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Feb 25 1994	% Change over week	% Change on Dec '93	Local currency terms: Feb 25 1994	% Change over week	% Change on Dec '93
Latin America							
Argentina	(25)	962.31	-12.5	-3.2	590,497.75	-12.5	-3.2
Brazil	(57)	311.04	-3.4	+33.7	265,659,174.1	+3.8	+161.4
Chile	(25)	633.71	-4.5	+14.8	1,088.17	-4.3	+14.2
Colombia[1]	(11)	873.86	-6.0	+35.5	1,270.29	-5.5	+37.0
Mexico	(69)	984.08	-7.5	-1.7	1,363.03	-4.3	+1.6
Peru[2]	(11)	144.90	-8.9	+19.8	193.16	-8.5	+21.5
Venezuela[3]	(12)	770.63	-6.7	+30.2	1,966.09	-7.0	+38.3
East Asia							
China[4]	(18)	116.65	-7.6	-16.6	131.54	-7.8	-19.8
South Korea[5]	(156)	127.55	+0.1	+7.6	135.46	-0.1	+7.6
Philippines	(18)	291.64	-3.7	-14.4	384.62	-3.4	-13.4
Taiwan, China[6]	(90)	125.93	-3.3	-6.9	125.14	-3.1	-6.5
South Asia							
India[7]	(77)	142.13	+6.9	+22.0	157.17	+6.9	+22.0
Indonesia[8]	(37)	113.83	-3.1	-8.7	132.68	-1.7	-6.8
Malaysia	(105)	297.27	+7.3	-12.3	288.95	+5.1	-11.3
Pakistan[9]	(15)	422.39	+2.6	+8.9	581.22	+3.4	+10.0
Sri Lanka[10]	(5)	240.38	-0.6	+35.6	257.22	-0.5	+34.7
Thailand	(55)	394.29	-2.8	-17.4	397.03	-3.2	-17.8
Euro/Mid East							
Greece	(25)	266.82	+0.6	+17.2	447.05	+0.2	+16.3
Hungary[11]	(5)	231.39	-6.1	+38.8	286.51	-6.0	+41.6
Jordan	(13)	173.83	+1.2	+5.1	250.81	+0.5	+4.8
Poland[12]	(12)	1,255.04	+2.7	+53.5	1,745.53	+3.1	+58.1
Portugal	(25)	130.54	-4.3	+14.7	156.07	-4.2	+13.0
Turkey[13]	(40)	141.94	-15.6	-33.2	1,218.45	-13.4	-16.2
Zimbabwe[14]	(5)	272.06	+16.9	+34.6	325.95	+16.7	+52.8

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 1 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 28 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	175.80	0.3	175.49	116.32	156.28	163.62	0.0	3.26	175.35	174.94	115.44	155.60	163.63	189.15	130.19	135.93
Austria (17)	167.75	-0.1	167.31	124.15	166.80	166.99	-0.2	0.96	187.95	187.50	123.76	166.79	167.28	195.41	139.63	149.01
Belgium (42)	168.22	0.1	187.83	111.24	149.45	145.94	0.2	3.94	168.08	167.68	110.66	149.15	145.65	169.08	141.01	141.01
Canada (107)	134.45	-0.9	134.14	88.91	118.45	131.70	-0.9	2.56	135.72	135.39	85.35	120.43	132.89	146.31	119.10	116.10
Denmark (33)	266.47	-1.1	265.86	176.22	236.75	242.76	-0.8	0.95	269.34	268.70	177.32	239.00	244.83	275.79	195.66	199.93
Finland (22)	145.13	-1.5	144.80	95.97	128.94	168.86	-1.3	0.66	147.31	146.96	96.98	130.72	171.02	156.72	70.02	71.18
France (99)	175.12	-2.2	174.72	115.80	155.59	159.74	-2.0	2.91	179.05	178.63	117.88	158.88	162.99	185.37	149.60	158.49
Germany (59)	131.01	-1.1	130.71	86.63	118.39	118.39	-1.0	1.82	132.48	132.17	87.22	117.56	117.56	142.38	107.59	113.61
Hong Kong (56)	410.95	-1.9	410.01	271.76	365.12	407.73	-1.9	2.80	419.10	418.11	275.91	371.90	415.73	506.56	233.64	256.90
Ireland (14)	187.88	-1.5	187.45	124.24	168.93	185.63	-1.3	3.15	190.80	190.35	125.61	169.31	196.11	209.33	137.01	137.95
Italy (69)	72.84	-1.5	72.67	48.17	64.72	92.01	-1.2	1.83	73.95	73.77	48.68	65.62	93.16	78.93	55.21	63.91
Japan (469)	157.95	0.4	157.58	104.45	140.33	104.45	0.8	0.76	157.33	156.96	103.57	139.61	103.57	165.91	107.97	107.97
Malaysia (69)	529.69	-1.0	528.48	350.28	470.62	555.60	-1.1	1.32	535.12	533.86	352.30	474.86	562.02	621.63	274.40	275.05
Mexico (18)	2315.78	0.1	2310.45	1531.39	2057.48	8046.55	-0.4	0.63	2312.62	2307.14	1522.60	2052.14	8078.55	2647.06	1431.17	1459.83
Netherland (26)	199.64	-1.0	199.19	132.02	177.38	174.90	-0.9	3.05	201.72	201.24	132.80	179.00	176.62	207.43	160.28	160.34
New Zealand (14)	72.23	1.4	72.06	47.79	64.17	66.66	1.3	3.49	71.20	71.03	46.87	63.18	65.88	77.59	45.22	45.80
Norway (23)	204.42	-1.0	203.95	135.16	191.62	205.92	-0.7	1.51	206.42	205.93	135.89	183.17	207.46	206.42	139.23	139.50
Singapore (45)	340.22	-1.2	339.44	224.98	302.28	248.11	-1.2	1.62	344.53	343.71	226.82	305.73	251.01	378.92	213.57	221.61
South Africa (60)	242.87	1.1	242.31	160.61	215.76	249.37	0.8	2.23	240.23	239.66	158.15	213.17	247.44	280.25	160.76	166.73
Spain (42)	143.85	-2.9	143.52	95.13	127.81	152.30	-2.4	3.84	148.08	147.73	97.49	131.40	156.06	155.79	118.33	127.12
Sweden (36)	216.75	-1.3	216.26	143.34	192.58	257.47	-0.9	1.45	219.69	219.17	144.63	194.95	259.72	230.02	154.76	162.71
Switzerland (49)	161.42	-1.6	161.05	106.74	143.42	143.81	-0.8	1.54	163.97	163.58	107.95	145.50	145.19	176.56	111.01	111.48
United Kingdom (215)	199.58	-1.0	199.12	131.98	177.32	199.12	-1.5	3.86	202.71	202.23	133.46	179.89	202.23	214.98	167.28	167.28
USA (518)	189.02	-0.5	188.59	125.00	167.94	189.02	-0.5	2.78	190.05	189.60	125.12	159.65	190.05	199.04	178.91	180.61
EUROPE (745)	168.13	-1.5	167.74	111.10	149.37	161.42	-1.4	2.83	170.72	170.32	112.39	151.49	163.64	178.58	138.88	139.44
Nordic (113)	210.24	-1.3	209.76	139.03	186.76	217.08	-0.9	1.23	212.95	212.44	140.19	188.96	219.07	220.60	145.85	149.65
Pacific Basin (722)	167.77	0.2	167.38	110.94	149.06	115.61	0.8	1.04	167.46	167.06	110.25	148.60	114.98	168.80	113.96	113.95
Euro-Pacific (1467)	167.76	-0.5	167.37	110.94	149.05	133.72	-0.2	1.79	168.66	168.26	111.04	149.66	134.06	170.78	124.26	124.26
North America (625)	185.63	-0.6	185.21	122.76	164.93	185.07	-0.0	2.76	186.68	186.24	122.90	165.65	156.11	132.73	173.70	176.61
Europe Ex. UK (530)	147.93	-1.5	147.59	97.83	131.43	139.10	-1.2	2.31	150.16	149.84	98.88	133.28	140.90	155.73	120.02	121.86
Pacific Ex. Japan (253)	263.45	-0.9	262.85	174.22	234.07	241.54	-1.1	2.51	265.99	265.36	175.12	236.04	244.11	296.21	164.34	172.44
World Ex. US (1652)	168.99	-0.6	168.60	111.75	150.14	136.85	-0.3	1.80	169.85	169.45	111.82	150.72	137.20	172.51	125.35	125.35
World Ex. UK (1955)	172.22	-0.4	171.82	113.88	153.01	148.77	-0.2	1.99	172.93	172.52	113.84	153.45	149.12	175.58	140.70	140.70
World Ex. So. Af. (2110)	174.25	-0.5	173.85	115.23	154.81	152.44	-0.4	2.15	175.16	174.77	115.33	155.46	153.01	178.56	142.98	142.98
World Ex. Japan (1701)	185.52	-0.8	185.09	122.68	164.82	181.55	-0.9	2.74	187.21	186.77	123.25	166.13	183.13	196.20	162.87	162.87
The World Index (2170)	174.62	-0.5	174.22	115.48	155.15	153.22	-0.4	2.15	175.54	175.12	115.57	155.77	153.76	178.97	143.02	143.02

Latest prices were unavailable for this edition.